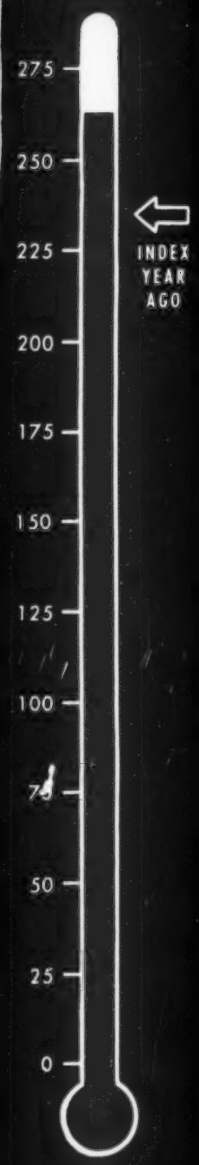
BUSINESS WEEK

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Key Decision
HOW A COMPANY MAKES ONE
PAGE 140





Secretary Hobby's credo: Welfare, but no welfare state (page 116)

A McGRAW-HILL PUBLICATION

MAY 16, 1953

TWENTY-FIVE CENTS

THERE'S A TOUCH OF TENNESSEE IN FOUNDRIES



In gray iron and steel foundries producing the world's varied requirements of castings, look for products from TENNESSEE. Ferro alloys in briquettes and granulated form to improve metal properties and insure quality castings . . . Tenn-Sil foundry sand additive to reduce molding defects, to lower gas volume and to free sand of carbon . . . low-phosphorous pig iron to make special steels and iron . . . all supplied by TENNESSEE for faster and more efficient foundry operation and higher quality foundry products.

The many other basic materials from TENNESSEE are used by key industries everywhere. That's why TENNESSEE is known as an industry serving all industry.

TENNESSEE
PRODUCTS & CHEMICAL
Corporation
NASHVILLE, TENNESSEE.

Producers of: FUELS • METALLURGICAL PRODUCTS • TENSULATE BUILDING PRODUCTS • AROMATIC CHEMICALS WOOD CHEMICALS • AGRICULTURAL CHEMICALS

RESEARCH KEEPS **B.F.Goodrich** FIRST IN RUBBER



Boxes scale a wall on rubber

A typical example of B. F. Goodrich improvement in rubber

LARGE cartons, small boxes, heavy bags climb this steep incline easily, quickly, without a slip. Almost every imaginable kind of package has to be carried up, and up again, for storage, shipment or manufacturing. It used to cost a lot of money.

Then B. F. Goodrich made a "climbing belt", one without buckets or cleats, that could grip boxes or other smooth articles and carry them uphill. But the boxes would slide down when the incline was too steep.

Again B. F. Goodrich engineers went to work on the problem and developed the entirely new Griptop belt you see here. In place of rough, dirt-catching knobs, they used parallel ribs that are cross cut into thousands of flexible rubber blocks—more than 5000 to the square foot. The tiny, self-cleaning grip blocks are tough enough to stand years of use, yet soft so they bend just enough to grip or seize anything carried by the belt, and move it safely, surely.

With the new Griptop belt, you can carry things at angles never possible before, and so save space, time and expensive handling.

The new Griptop belt design is one more example of the product improvement that's always going on at B. F. Goodrich. Every product B. F. Goodrich makes is constantly being studied by practical engineers with long field experience, to see how it can be improved from the user's standpoint, how it can be made to last longer and how it can be made to do a better job. To take full advantage of these many and frequent improvements, call your BFG distributor or write *The B. F. Goodrich Company, Industrial & General Products Division, Akron, Ohio.*

B.F.Goodrich

RUBBER FOR INDUSTRY



The metal

that put new life into this spray pump may put new life into <u>your</u> product

Spraying liquid insecticides, weed-killers and fertilizers poses a complex problem . . .

For the liquid is usually a type that not only corrodes the spray pump, but also carries suspended solids that erode it.

Pump cases of metals that are adequate in corrosion-resistance, frequently fail from erosion by solid particles of lime, talc and similar abrasives in slurries speeding through the equipment. And likewise, most abrasion resisting metals fail by chemical attack.

After trying all sorts of materials, one manufacturer ended failures of this sort by using Ni-Resist® . . . a nickel alloy that has proved to be one of the most economical corrosion-resisting engineering materials ever developed.

Ni-Resist withstands corrosive attacks of acids, alkalies and salts and develops a high order of resistance to galling and metal-to-metal wear. No other cast metal provides such a unique combination of useful engineering properties.

An alloy containing nickel may improve the product you make or use. Send us details of your problem for our suggestions.

At the present time, nickel is available for end uses in defense and defense supporting industries. The remainder of the supply is available for some civilian applications and governmental stockpiling.

After 8 hours in an accelerated test handling erosive slurry, this bronze pump casing eroded clear through at one point.



After 20 hours, this Ni-Resist casing looks practically new and is obviously good for much additional use. This type of casing is standard on spray pumps manufactured by HYPRO ENGINEERING, INC., of Minneapolis, Minn.



EMBLEM OF INCO SERVICE

THE INTERNATIONAL NICKEL COMPANY, INC. 67 Wall Street New York 5, N.Y.

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AIR-MAZING FACTS

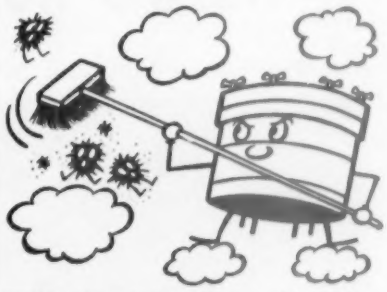
BY O. SOGLOW



DUST DIMS MILKY WAY! Until that first rocket ship ride, you'll never see all the stars in the Milky Way. Quadrillions of miles above the earth, dust and gas form dark clouds that blot millions of stars from sight.



COUNTER ATTACK! Dust falling on counter displays can cost stores thousands of dollars in shopworn merchandise. Leading stores stop dust, dirt, and even smoke with Electromaze electrostatic air filters. File-drawer construction makes installation and servicing easy.

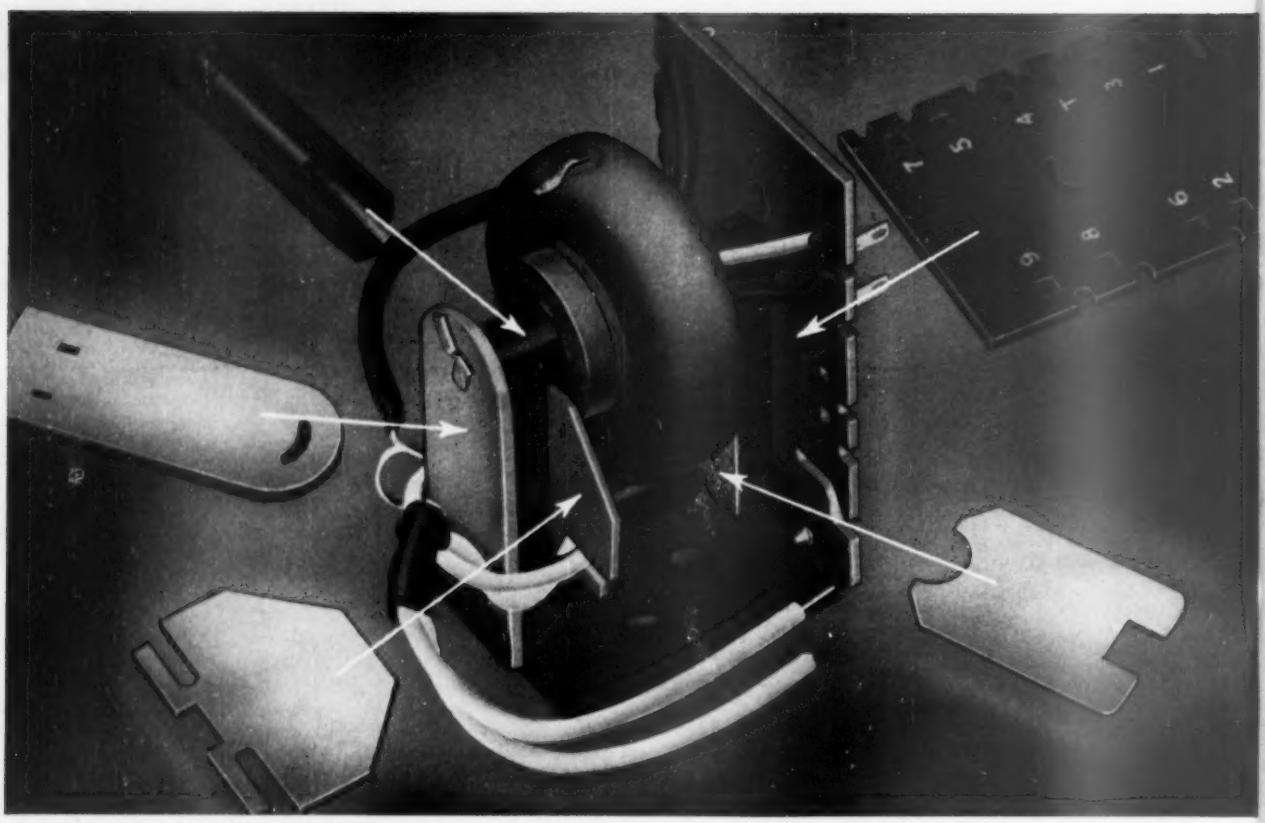


SCRUBS AIR CLEAN! Air-Maze oil-bath filters literally "scrub" engine intake air clean in a bath of oil. Engines last longer because abrasive dirt and grit can't get in to damage polished pistons, cylinders and rings.

WHETHER YOU BUILD OR USE engines, compressors, air-conditioning and ventilating equipment, *or any device using air or liquids* — the chances are there is an Air-Maze filter *engineered* to serve you better. Representatives in all principal cities, or write Air-Maze Corporation, Cleveland 28, Ohio.

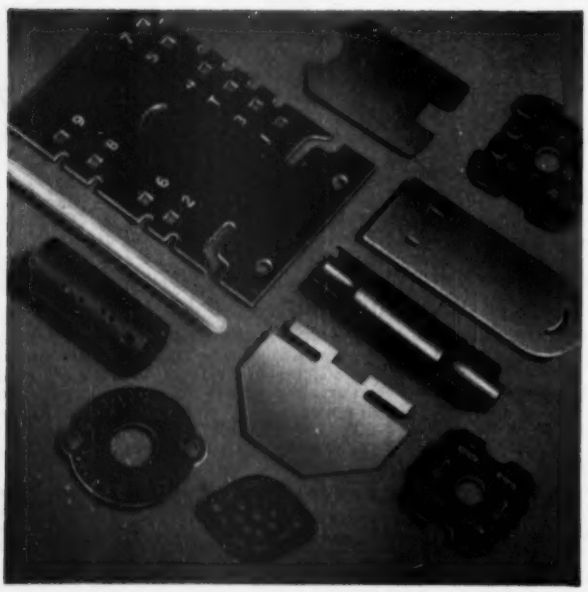
AIR-MAZE
The Filter Engineers

AIR FILTERS
SILENCERS
SPARK ARRESTERS
LIQUID FILTERS
OIL SEPARATORS
GREASE FILTERS



❶ FLY-BACK TRANSFORMER *in a television set has a wide variety of applications for Taylor Laminated Plastics.*

Here's how the Electronics Industry



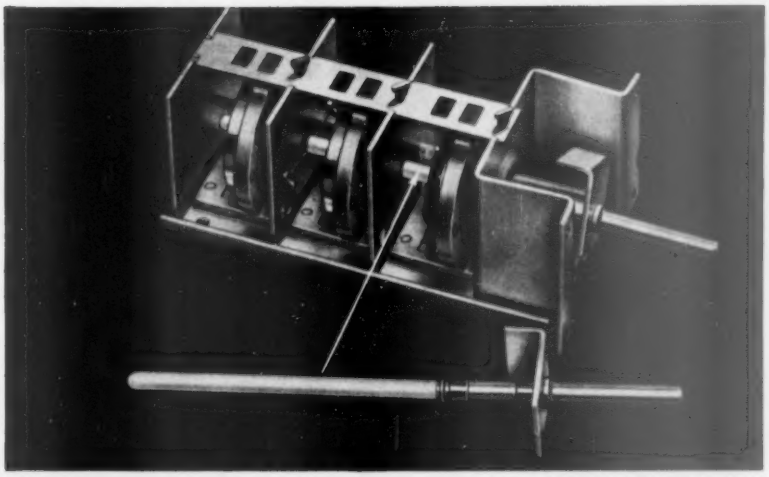
❺ TYPICAL *components for the electronics industry, made of Taylor Laminated Plastics and Vulcanized Fibre.*

❶ THIS fly-back transformer for a television set is a good example of how one component uses a variety of Taylor Laminated Plastics . . . each selected for specific reasons. The coil support is Taylor Grade XX . . . a paper base phenolic laminate with good electrical qualities, dimensional stability and moisture resistance. Dielectric strength is retained even after long exposure to high humidity. Machinability is good. The terminal board is Taylor Grade XXXP-10. It has good hot-punching qualities and is easily machined. Electrical qualities are also good. It has a low power factor and a good dielectric constant. Dimensional stability is of a high order. It has high insulation resistance, highest dielectric strength—both perpendicular and parallel to laminations. The filament holder, back support and shield are all Taylor Grade XP . . . a grade usually selected for cold punching. It is flexible and has good dielectric strength. It machines easily and finds many uses as terminal boards, washers, socket bases and panels for subassemblies.

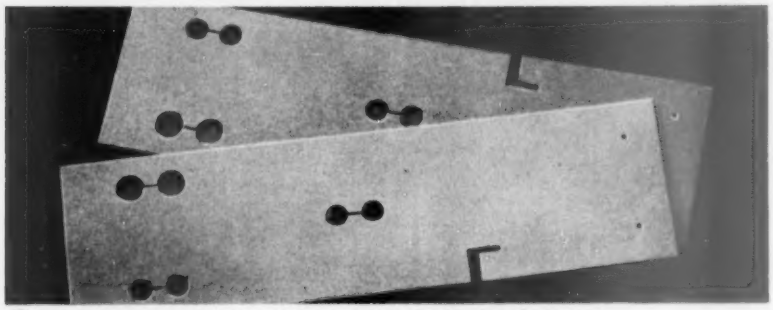
❷ Transistors . . . the fastest moving development in the electronics field promise to make the comic strip wrist watch radio a practical instrument. Hearing aids with transistors are now on the market . . . and they are no bigger than a match folder. Communications equipment will be reduced radically in size, with transistors like the one shown. The housing for this transistor is Taylor Grade X Laminated Plastic. It was selected for its high



2 **TRANSISTORS** *will make electronic equipment smaller than ever. This one is housed in Taylor Laminated Plastic.*



3 **TELEVISION TUNER** *costs less to produce since Taylor Polyester Glass Rod was selected for the shaft.*



4 **BUILT-IN ANTENNA SUPPORTS** *made of Taylor Insulation.*

uses Taylor Fibre and Laminates

impact strength. It machines easily to close tolerances. In this application the dimensions of the tubing are .224 O.D. x .187 I.D.

3 Every time a new material is introduced . . . the result is invariably lower production costs and better products for many manufacturers . . . just as it was for the manufacturer of this UHF television tuner when he used the new Taylor Polyester Glass Rod for the shaft. This new material has the highest mechanical strength of all laminates in rod form. It has outstanding dimensional stability and a good power factor . . . characteristics that helped produce a better tuner. In addition, the ability of this rod to remain absolutely straight . . . without bending during shipment or storage . . . materially speeded assembly operations.

4 Taylor Insulation (fish paper) is another product that has a wide variety of applications in electronic equipment. Typical is this support antenna lead for built-in radio antennas. Taylor Insulation is a highly specialized form of vulcanized fibre that is characterized by extreme toughness, high dielectric strength and excellent bending qualities. Its surface is hard and abrasion resistant.

5 The electronics equipment designer couldn't get along without Vulcanized Fibre and Laminated Plastics. They are indispensable materials . . . available in a wide range of mechanical and electrical properties to fit thousands of applications. Whether your requirements are small, or measured in tons, Taylor facilities can meet your needs. If you want us to fabricate your parts, then our modern fabricating facilities are ready to work for you.

•

For Your Staff—Factual and informative Taylor advertising is being directed to your Engineering and Purchasing Departments . . . to help your staff become familiar with the ways Taylor products can help you produce better products . . . at lower costs.

For Your Files—A comprehensive booklet to help you learn more about how and why Taylor products can be put to profitable use in your products. Write today. Taylor Fibre Co.—Norristown, Pennsylvania—La Verne, California. *Branch offices in Asheville, Boston, Chicago, Cleveland, Dayton, Detroit, Indianapolis, Los Angeles, Milwaukee, New York City, Philadelphia, Pittsburgh, Rochester, St. Louis and Tolland, Connecticut. Distributors in Grand Prairie and Houston, Texas; New Orleans and Los Angeles.*

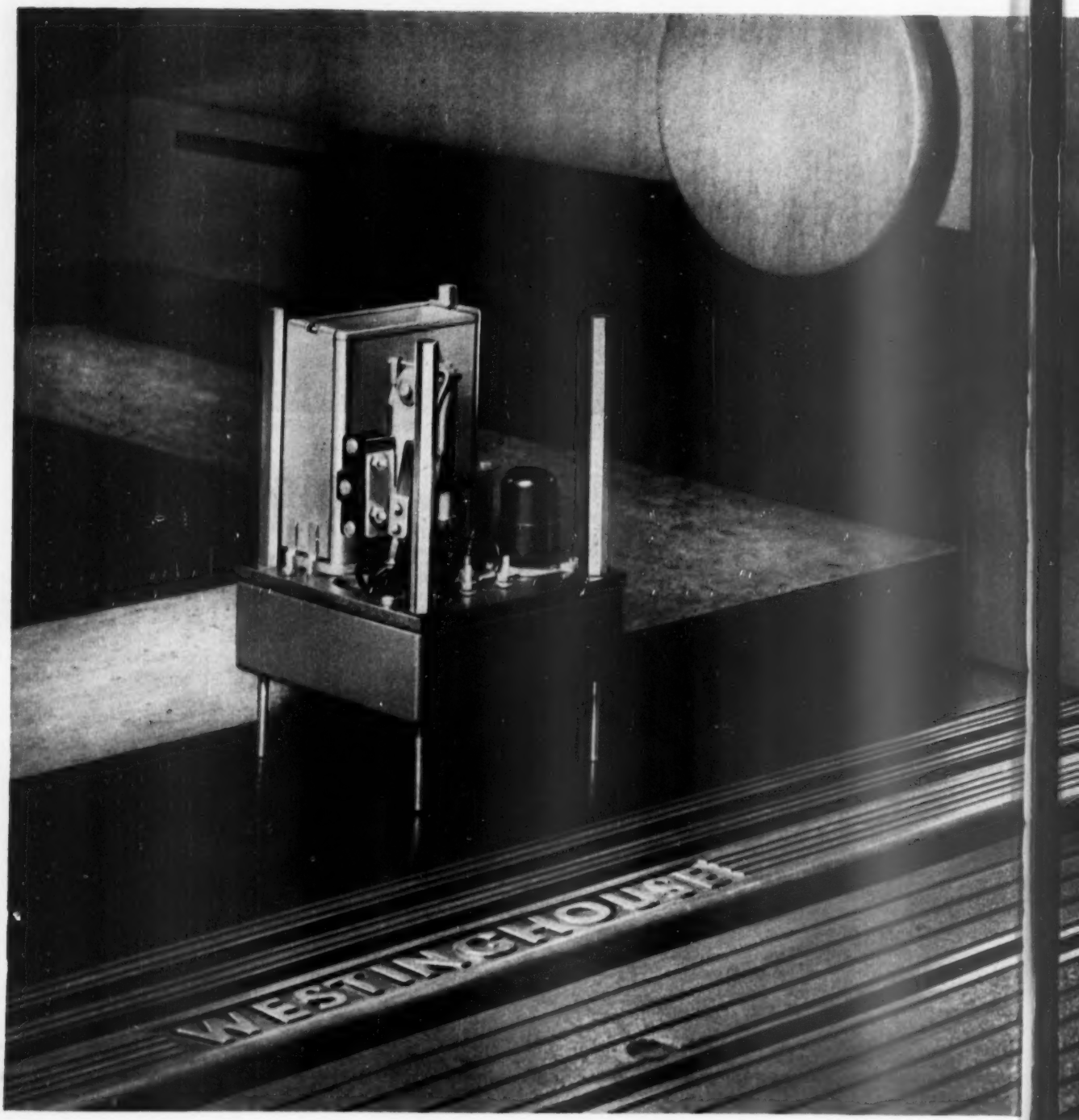
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TAYLOR

Laminated Plastics
Vulcanized Fibre

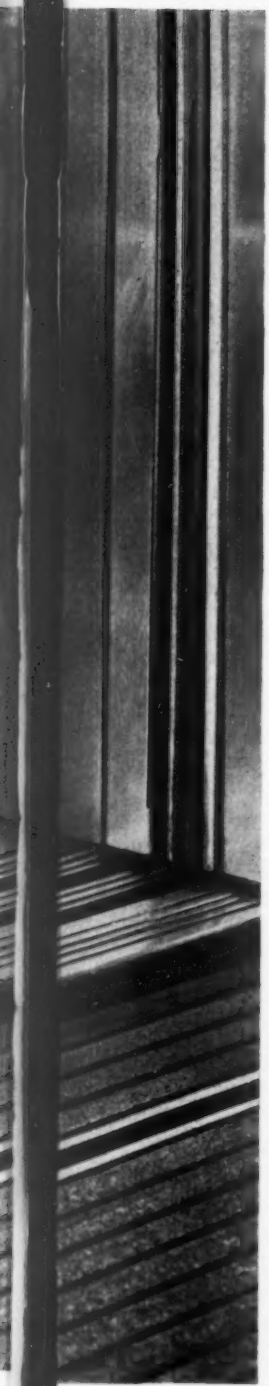
A New Elevator Era For Heavy

AUTOMATIC TRAFFIC



Traffic Buildings

PATTERN CONTROL



... the only system that adjusts and readjusts itself AUTOMATICALLY to any traffic demand 24 hours a day

Westinghouse Selectomatic Control with *Automatic Traffic Pattern* is opening a new era in heavy-duty elevator service. The heart of the system is an electronic computer . . . ever alert, super-accurate, attentive to any changing traffic demand.

Automatic Traffic Pattern weighs the passengers, counts the stops in each direction, counts the corridor calls and locates their position, counts the by-passes and measures time. From the computation of this data, Automatic Traffic Pattern instantly selects the most efficient pattern for the existing traffic conditions and automatically shifts the system to this pattern. All without dial settings by starters, who now become building good-will ambassadors.

Westinghouse Selectomatic with Automatic Traffic Pattern Control cuts operating costs up to $7000 per car a year—keeps traffic moving and is popular with tenants and building visitors.

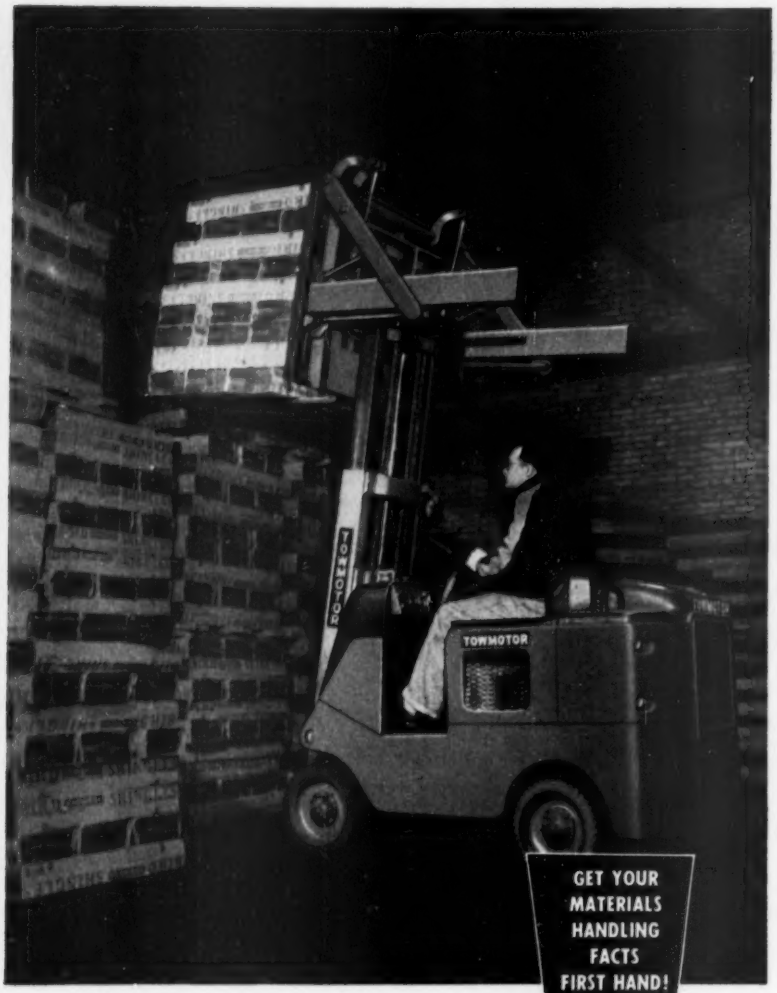
This equipment is ideal for new buildings. Added to existing installations, it makes *any* elevator system ultra-modern. Call our nearest office listed in the Yellow Pages of your Telephone Directory.

Westinghouse Elevators

PASSENGER AND FREIGHT ELEVATORS · ELECTRIC STAIRWAYS
PROTECTIVE MAINTENANCE AND SERVICE

YOU CAN BE SURE...IF IT'S Westinghouse

J-96680



Stacking shingles to the rafters at Bird & Son, Inc., Chicago

What does your man say?

Talk to *your* man in charge of materials handling. You'll decide it's a good idea to provide him with the equipment *he* wants. He's sold solid on TOWMOTOR, because TowmoTorque drive saves time; because new Power Steering makes Towmotor handle like a baby; because "Cushioned Power" Diesels are breaking records for power and economy; because nothing can compare with a TOWMOTOR! For more information about Towmotor, send for booklet describing TowmoTorque and Power Steering. TOWMOTOR CORPORATION, Div. 205, 1226 E. 152nd St., Cleveland 10, Ohio.

TOWMOTOR
THE ONE-MAN-GANG ®

FORK LIFT TRUCKS and TRACTORS
SINCE 1919
TOWMOTOR ENGINEERED FOR QUALITY PERFORMANCE

READERS REPORT

Correction

Here, for pasting on your file copy of The New Executive Team in Washington (BW—May2'53,p162-174), is a corrected version of the Federal Deposit Insurance Corp. (page 172) and the Federal Communications Commission (page 171):

TITLE	NAME	ROOM NO.	PHONE EXT.
FEDERAL DEPOSIT INSURANCE CORP.			
National Press Bldg.			
EXecutive 3-8400			
CHAIRMAN	H. Earl Cook (After May 9)	414	20
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Asso. Gen. Counsel	Norris C. Bakke	785	267
Spec. Asst. to Chmn.	Forbes Campbell	425	226
FEDERAL COMMUNICATIONS COMMISSION			
New Post Office Bldg.			
Penna. Ave. at 12th St.—EXecutive 3-3620			
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Commissioner	Edward M. Webster	6241	24
Commissioner	George E. Sterling	7243	481
Commissioner	Frieda B. Hennock	6235	3
Commissioner	Robert T. Bartley	6207	6
Commissioner	John Doerfer	6213	4
Secretary	T. J. Slowie	6149	1
Gen. Counsel	Benedict P. Cottone	7506	18
Office of Info.	George O. Gillingham	7234	361

The double listing of the Mutual Security Agency (page 162 and also on page 173), although confusing to some of our readers, is correct as is. The main headquarters (or "Office of the Director for Mutual Security") of the agency are at the Executive Office Bldg. (as listed on page 162), and the working staff of the agency is located at 806 Connecticut Ave. (as was shown on page 173). This split in the agency came when Congress passed the Mutual Security Act of 1952.

Comedy of Errors

If this be a whimsical prank, you Yank,
It could have a parlous sequence.
Rumors of change have passed through the rank
With urgent and persistent frequence
That a swell guy named Cook, by all Rules in the Book,
Had been chosen as our newest Chairman.
I like it here, in my nook grown so dear—
And remove me? Why, you wouldn't dare, Man!
To me it's quite plain that some character's lain
With his dirk unsheathed for my liver.
I'm generous, my friend, but not to that end!
There's a limit to being a giver.
In any event, this is not a lament
It's a bow to your generous flattery.
Meanwhile, I hope, you will rescue this dope



TRIPLES OUTPUT WITH "SHOP-MADE" MACHINE

ANOTHER EXAMPLE

of KELLER Air Tools engineered to industry

A clever tool engineer devised this machine around six Keller Airfeedrills, some air clamps, and a cutoff saw. It has tripled production by combining three jobs into one.

This "shop made" device gauges, drills, and trims the frames for wrought iron furniture. Pressing a foot control valve builds up air pressure in the clamps to a certain point which starts the Airfeedrills and cutoff saw.

The Airfeedrills "hang by the nose" under the machine bed (see arrows)... and automatically go through their cycle of advance-drill-retract-shut off. The saw is propelled by an air cylinder.

This machine not only saves two handling operations, but makes the work easier and faster, provides more accurately drilled frames, and greatly improves appearance of finished furniture.

The machine can be quickly adjusted to frames of three different sizes. To change over it is only necessary to adjust the end clamps and move the Airfeedrills to other attachment bushings which are already built under the machine bed. Airfeedrills are detached and reattached by a quarter turn of the tool.

Perhaps in your production processes there are moneysaving applications for Keller Airfeedrills. Have you discussed them with your tool engineer? The near-by Keller representative will gladly help you.



DRILLS • SCREW DRIVERS • NUT SETTERS • GRINDERS • RIVETERS
AIR MOTORS • AIR HOISTS • AIRFEEDRILLS

KELLER TOOL COMPANY, GRAND HAVEN, MICH.

Your Railroad... the **ROCK ISLAND AND THE MIDWEST**



Rock Island directly serves 14 of the great states in the heart of America, (and through connections the entire country), with a highly modernized network of rail lines and coordinated truck routes—8000 miles of rail and 5200 miles of truck routes.

The superior service shippers enjoy on Rock Island has come about by an aggressive devotion to the Railroad's policy of Planned Progress. That policy has made the system a marvel of modern freight transportation, and will continue to provide industry and agriculture with the means for development and growth.

Ideal location sites with labor, water, power, and raw materials in abundance are available in these 14 states. Rock Island will be glad to help find the most suitable location for you.

Indeed, Rock Island is Your Railroad for fast, dependable freight shipments, and cooperative service.

Let a trained Rock Island Representative help you with your individual shipping or location problems.

Rock Island

The Railroad with a future through Planned Progress.

When he makes the deep plunge
from the Battery.

FORBES CAMPBELL
Chairman???
SPECIAL ASSISTANT TO THE CHAIRMAN
FEDERAL DEPOSIT INSURANCE CORP.
WASHINGTON, D. C.

• Soft impeachment accepted. Apologies extended. Job switch unintended. The facts are corrected in the box above.

A Better Way Out

Dear Sir:

In the Management section of the Apr. 11 issue of BUSINESS WEEK *(page 104) there are discussed two procedures by which executive compensation can be converted into capital gains: (1) Stock warrants and (2) "Restricted" stock options. However, there is yet a third method which perhaps is more advantageous than either of the above two. Essentially, it is this: Management sells shares to key executives at bargain prices by putting temporary restrictions on the stock to lower its market value. Key executives can realize substantial capital gains by selling upon the lifting of the restrictions and the value of the stock is restored to normal.*

The United States Tax Court has held that buying the stock subject to temporary restrictions doesn't result in income even though the stock would be worth considerably more without the restriction (Harold H. Kuchman, 18 T. C. 154). Nor does income arise when the restrictions lapse. When the stock is sold there is a long term capital gain, assuming shares have been held long enough (Robert Lehman, 17 T. C. 652). The Internal Revenue Bureau has agreed to follow both of these Tax Court decisions.

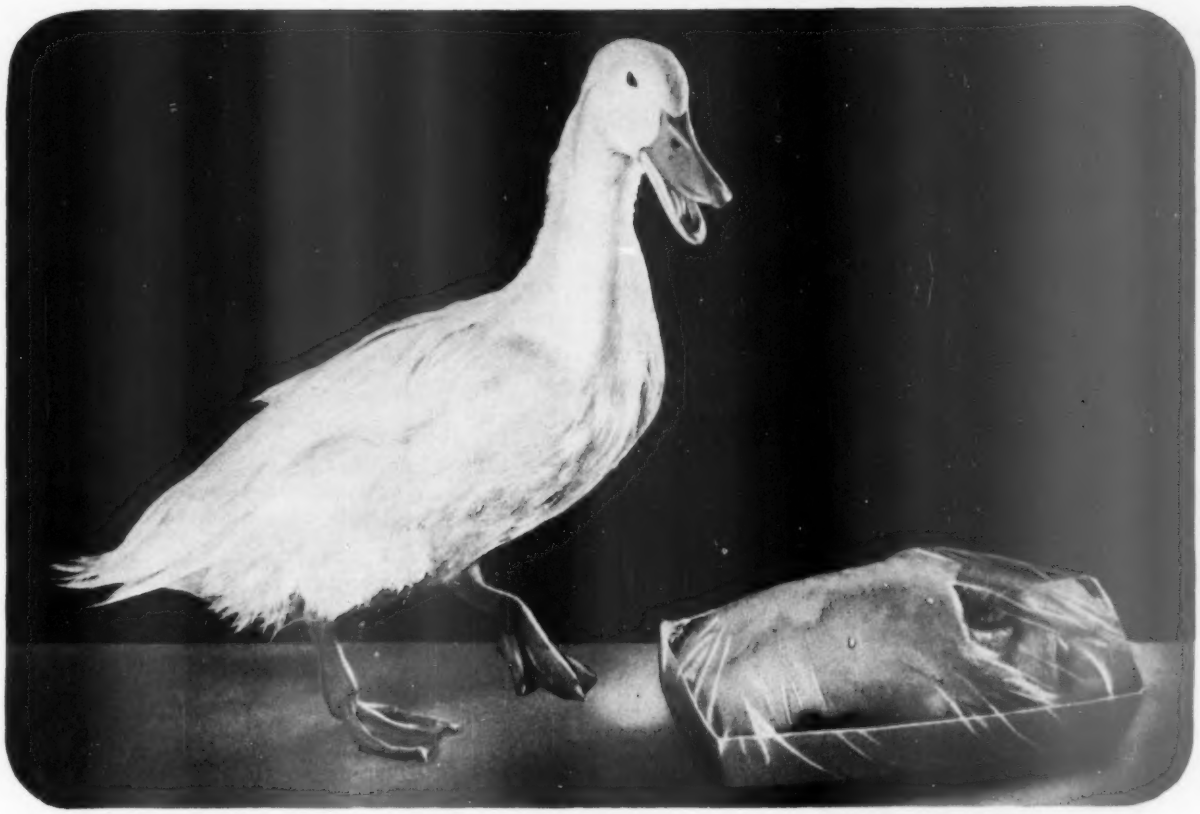
"Restricted" stock option results in capital gain only if offered at 95% of fair market value, thus gain is achieved only if stock rises. Stock sold subject to temporary restrictions provides gain as long as it returns to its normal value. Other benefits of this third method include: Corporation can sell stock at any price it wants, stock can be transferable and there is no limit on executive's stock ownership. This method also overcomes stockholder objection to warrant plans which do not tie restrictions onto their ownership.

HARVEY GREENFIELD
ATTORNEY AT LAW
NEW YORK, N. Y.

Diametrically Correct

Dear Sir:

Surely the Giant Steel Elbow pictured on page 108 of the Apr. 25 edition of BUSINESS WEEK *is more than*



How to "duck" moisture — in any kind of package

When it comes to moisture problems in packaging, you can learn a lot from a duck. The Goodyear Packaging Engineer has!

For PLIOFILM, Goodyear's famed transparent packaging film, sheds unwanted moisture as easily as a duck's back—keeps moisture *in—or out!*

By keeping moisture in, PLIOFILM keeps cheese fresh and rindless. It seals in the natural juices of meats, fruits and vegetables, prevents shrivel or shrink. It even holds pickles or sauerkraut in their own brine, without leakage or moisture loss.

By keeping moisture out, PLIOFILM keeps powders dry, spark plugs from rusting. It prolongs the shelf life of dried fruits and ready mixes, preserves coffee taste and aroma.

But that's not the whole story. This unique film has many other advantages. It's strong and durable, rugged enough to hold bulky, heavy goods. It's hard to tear or puncture. And its natural transparency displays your product in its true light and colors.

And these qualities make PLIOFILM a sturdy guardian of goodness for all manner of things. If you've got a problem package, the Goodyear Packaging Engineer may be able to wrap it up with PLIOFILM. Why not talk to him about it? Write:

Goodyear, Pliofilm Dept., Akron 16, Ohio

GOODYEAR PACKAGING FILM

Good things are better in Pliofilm

Pliofilm, a rubber hydrochloride—T. M. The Goodyear Tire & Rubber Company, Akron, Ohio

3-way protection against air, moisture, liquids

We think you'll like "THE GREATEST STORY EVER TOLD"— next Sunday—ABC Radio Network—THE GOODYEAR TELEVISION PLAYHOUSE—every other Sunday—NBC TV Network

AUTOMATIC ELECTRIC—A GREAT NAME IN COMMUNICATIONS



Never before has P-A-X paid for itself so quickly

As operating expenses spiral, business management is knuckling down on costs with P-A-X—the business telephone system entirely separate from the public telephones!

Thousands of companies make better use of costly time with this fast, automatic *inside* telephone service. P-A-X takes a man *anywhere* within a company in seconds! Saves time, steps, errors, fatigue, in every operation. Today's costly man-hours make *that* a greater saving than ever before!

Company-owned P-A-X also lowers telephone costs . . . usually pays for itself *directly*, within a few years' time. Actual case studies of P-A-X savings have been prepared with the help of many P-A-X users. You'll find a letter or call most worthwhile. Automatic Electric Sales Corporation (HAymarket 1-4300), 1033 West Van Buren Street, Chicago 7, Illinois.



P-A-X is a system of "inside" telephones, separate from the public telephones, and owned by the user.

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P-A-X saves on public telephones and switchboard—permits marked economies in rented equipment.

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P-A-X telephones and switchboards are identical in quality with your public telephone equipment.

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AUTOMATIC ELECTRIC

Please send me more information:
Name_____
Firm_____
Address_____
City_____ State_____

25 ft. long. I could believe that it is 25 ft. in diameter but it appears to be at least 60 or 70 ft. long. . . .

JOHN R. THOMAS, JR.
ST. LOUIS, MO.

• Diameter: 25 ft. Length: 58 ft.

Foundations to the Rescue

Dear Sir:

Your remarks in the Apr. 18 issue under the caption Shortage of Scientists (page 196) point out a rather dismal prospect for the nation in the years ahead.

The National Science Foundation is requesting a $15-million appropriation from Congress. As you stated, it is disturbing that government, not business, is taking the lead in attempting to correct this situation.

In 1947 the foundry industry recognized the serious problem presented by the shortage of engineers. . . .

Supported directly by voluntary contribution from within the industry itself, the Foundry Educational Foundation established engineering scholarships at five prominent universities. Participation has increased steadily and scholarships are now maintained at 14 universities.

In five years' time, the FEF program has resulted in an increased number of engineers available and placed in the industry: improved and expanded foundry facilities at FEF schools; better faculties engaged in teaching foundry courses; and a most significant improvement in the interest, attitudes and appreciation of all engineering students and teachers for the current problems and future prospects of the foundry industry. . . .

E. J. WALSH
FOUNDRY EDUCATIONAL FOUNDATION
CLEVELAND, OHIO

Educational

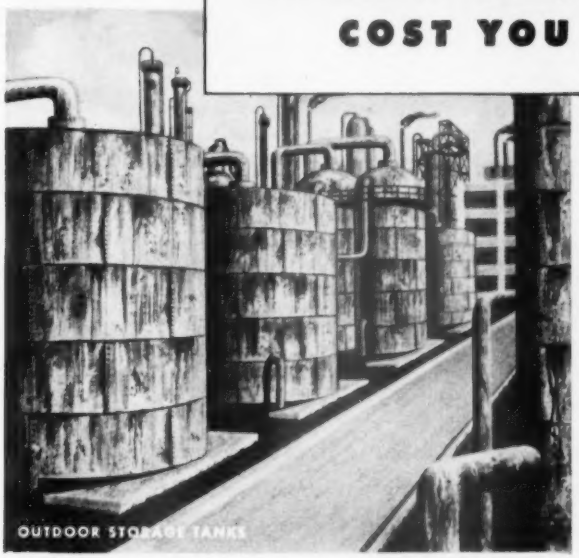
Dear Sir:

. . . It might interest you to know that BUSINESS WEEK *is the only general business publication that I use for the purpose of class assignments. I have been impressed by your fairness and ability to discuss topics of political significance without allowing prejudice to color the discussion. You stand very much alone in this respect.*

DWIGHT L. GENTRY
WAKE FOREST COLLEGE
WAKE FOREST, N. C.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.

HOW MUCH WILL CORROSION COST YOU THIS YEAR?



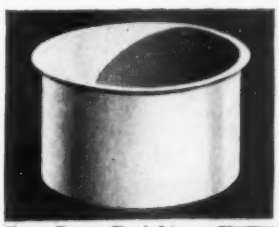
CHEMICALS CAN CORRODE METALS IN 12 MONTHS OR LESS.



UNPLASTICIZED P.V.C. JUST DOESN'T CORRODE.

Not a cent... IF YOU SWITCH TO UNPLASTICIZED P.V.C. MADE FROM FIRESTONE EXON 402-A

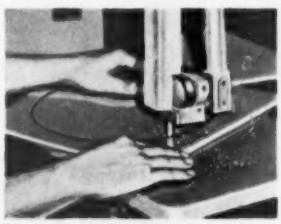
Unplasticized P.V.C. is a new material of construction that is highly resistant to most corrosive elements. In many industrial applications, it has proven to be superior—less expensive—than customary metals. Check carefully the advantages of Unplasticized P.V.C. Then, for detailed information on how this new material of construction can help you in *your* business, consult Firestone Chemical Sales Division.



Fume Ducts, Tank Liners, Similar Applications – Unplasticized P.V.C. made from EXON 402-A is ideal for fume ducts and tank liners. It is highly resistant to moisture, acids, oxygen, sunlight, aging and other corrosive elements.



Industrial Pipe—Naturally, piping extruded from Unplasticized P.V.C. made from EXON 402-A is resistant to all types of corrosion. It is extremely light weight in comparison to metal...easier and less expensive to handle.



Versatility – Unplasticized P.V.C. made from EXON 402-A can be welded, sawed, sheared, stamped, milled, planed, drilled, embossed, rolled, cemented. It is easily worked on conventional metal and wood working equipment.



How does this new material of construction fit into *your* picture? Have your engineers consult the Firestone Chemical Sales Division on proper applications of Unplasticized P.V.C. made from EXON 402-A...or write:

Firestone.....*Chemical Sales Division*

Call at Space 48 Basic Materials Show, Grand Central Palace, New York, June 15-19 if corrosion is a problem in your plant or industry.

EXON

FIRESTONE PLASTICS COMPANY, DEPT. B-3
POTTSTOWN, PENNSYLVANIA
A Division of Firestone Tire & Rubber Co.

IMPORTANT: Firestone supplies EXON 402-A only. This resin is used by many of America's leading fabricators of Unplasticized P.V.C. end-products

Ghost towns pay no wages

IN THE WEST ARE TOWNS that used to be busy and bustling, now without a soul in them, and with buildings falling apart.

The companies that kept them busy, stopped making a profit.

There were many reasons, some of which couldn't be helped. But the one fact common to all dead towns, dead companies, dead industries is failure to make a profit. And no profit, no companies; no companies, no jobs. And not only did the miners and factory workers lose their jobs but also the grocers, the hotel keepers, even the sheriff. It's *everybody's* worry that the factories, on which we all depend in the long run, continue to make a profit. There's no fun in a ghost town.



Warner & Swasey Gradall at work

WARNER & SWASEY
Cleveland
PRECISION MACHINERY SINCE 1880

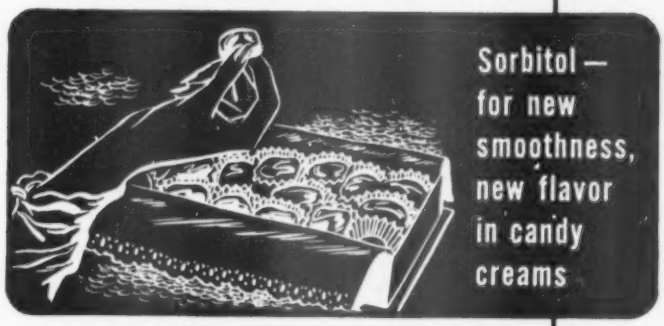
YOU CAN PRODUCE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY MACHINE TOOLS, TEXTILE MACHINERY, CONSTRUCTION MACHINERY



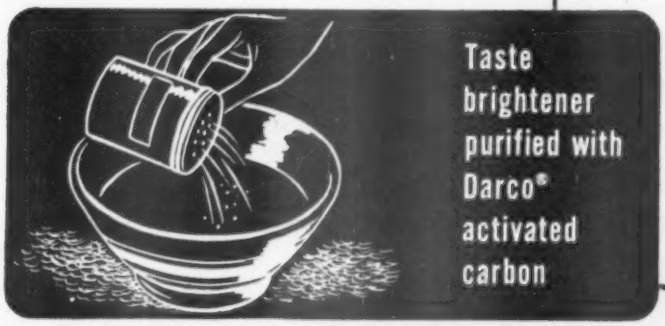
Medicinal syrups and tonics go down easier when they contain Atlas sorbitol. This unique vehicle lends "body" or viscosity. And it has a cool, sweet flavor all its own that creates new and unusual taste effects.



Today's housewife needs only minutes to whip up a taste-tempting cake, with modern packaged dry mixes. Important ingredients in many of these are Atlas emulsifiers, which help to produce finer cakes more easily, and a good cake everytime.



Cream-centered chocolates take on new distinction when they contain sorbitol. This versatile food ingredient modifies sugar crystals . . . makes creams smoother . . . retards drying or hardening . . . and imparts a unique, cool, pleasant after-taste.



Natural food flavors are sharpened by a material called monosodium glutamate. Darco activated carbon plays a vital role in the production of this material . . . helps to remove impurities which would detract from its potency.

When taste makes sales . . . Atlas can help

Please your customers' palates with new flavors . . . new textures . . . new effects . . . and your products will gain many new friends. Atlas can help work taste magic in many products. Our specialists are at your service.

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One Way
to Lower High Corporation Taxes
(but not recommended)

Industrial eye accidents can take a real "bite" out of any company's net three ways: in the production they stop, the production they slow (substitute workers don't do so well), and in the cost of care and compensation.

In the effort to cut down* these avoidable taxes on profits, a program that safeguards a valued worker's eyes is sound policy. One large company by the use of safety glasses averaging $2.30 cut its compensation costs from a high of $2.80 to $.40 per worker per year. In the AO records are many such examples of savings.

How about *your* company? Eye injuries are as *certain* as death and taxes unless there is a program that controls them. Ask your AO Safety Representative for complete details.

American Optical
SAFETY PRODUCTS DIVISION

SOUTHBRIDGE, MASSACHUSETTS • BRANCHES IN PRINCIPAL CITIES

*98% of eye injuries are eliminated when workers wear safety goggles.

AO's *Industrial Vision Program* Increases Production, Decreases Accidents. Write today for booklet "Improved Industrial Vision" to American Optical Company, 513 Vision Park, Southbridge, Mass.

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BUSINESS OUTLOOK



Markets have been trying to regain their aplomb. If business takes this seriously, sentiment should be bolstered.

Stock prices, in late April and early May, regained nearly half the previous month's losses. The recovery stubbed its toe this week, to be sure, but the selling wasn't a patch on that in March.

Commodities, meanwhile, have steadied a bit after their slump.

•

Nobody in Wall Street is guaranteeing anything. The market crowd admits the chance of recession. Most will agree that tight money and attractive investment returns on bonds pose some new problems.

But there are hopeful signs. **Bargain hunters have been nibbling, and some mouth-watering corporate earnings have lured investors.**

Then there is the fidgetiest of all fidgets—the sold-out bull. He's the fellow who said the Dow-Jones averages would go to 500; he got scared out by the truce talks, now wonders if he did right to sell.

•

Average prices of a representative group of commodities—**the index of spot prices, a fast mover—has scarcely so much as wobbled over the period of a full month.**

And you might note this: Even a dip in spot prices has increasing difficulty getting through to the wholesale level.

In fact, the March dip in spot prices (amounting to about 4%) had no effect at wholesale—not even a small dent.

•

Talk about meat prices, that slump has obscured a big price development: **The real drop in the last six weeks has been in metals.**

Livestock hit a low back around the end of February; since then, strength in hogs has more than offset weakness in cattle in Chicago.

But, in the last six weeks, **an index that includes half a dozen of the most important industrial metals has flopped a full 15%.** (Included: scrap steel, which has slumped; not included: finished steel, which has advanced.)

•

Domestic copper still brings 30¢; imported metal is quoted all the way from 31¢ a lb. to 36¢. **But the metal trade is betting on a drop by or before August, when Britain "frees" the London market.**

Everyone remembers what happened when England freed lead and zinc.

•

Gyrations in tin are closely geared to developments in the Far East.

The drop of nearly 30¢ a lb. came when things seemed to be clearing up. Then the price rallied sharply as the Reds marched into Laos. Finally, the gains melted again with the Communist retreat.

After holding for so long around $1.21 a lb., tin now brings 95¢.

•

Probably the clearest reflection of the wholesale market's lack of response to spot market changes is found in industrial prices.

The spot index of industrial raw materials, from the first of March to mid-May, fell by more than 6%. Prices of industrial goods at wholesale simply haven't budged in that same period.

Costs of labor, freight, and sundries can be held largely accountable.

Farm prices, after their two-year drop, have improved ever so slightly from their recent lows. A principal factor, of course, has been the rise of about $4 a cwt. in hogs in recent weeks.

About the best that can be said about other big cash crops—cattle, grains, cotton—is that they at last are about holding their own.

Prospects, even so, are still for lower farm income in 1953 than in 1952 due to price changes (and ignoring crop prospects). A decline of about $1-billion in farmers' net income (to below $13½-billion) is likely.

•

Prospects for winter wheat have benefited from further rains.

This week's official crop report, weighing harvest prospects on the basis of May 1 condition, puts output at 730-million bu. Add on a big spring wheat crop (by no means a certainty), and total wheat production this year still will be only a little over a billion bu.

Last summer, the winter wheat crop alone was that big.

•

This year's harvest—winter and spring wheat together—poses no surplus problem. Home use plus exports would move upwards of 1-billion bu. into consumption with no trouble at all.

The surplus (and the burden on storage facilities) comes from the 550-million bu. or more of wheat left over from earlier crops.

The drive now is to get this old wheat out of the way before the harvest gets rolling. Laid-up ships on the Hudson River once again will be granaries—but with brand-new, emergency ventilating systems.

The GOP doesn't want anyone to get any whiff of spoilage.

•

If you are wondering how automobile sales will stack up this year, you needn't concern yourself with new cars—just yet.

Ward's Automotive Reports estimates dealers' holdings of new cars at mid-April as just over 400,000, perhaps 30,000 over a year ago.

But you may take a dimmer view of used cars. New-car dealers' stocks of used cars moved steadily higher to mid-April, Ward's says. They topped 700,000, almost 100,000 larger than a year earlier.

•

Manufacturers of tires still talk bravely about that record demand for replacement casings. Anyhow, they've built stocks to meet all needs.

The manufacturers, at latest report, had 16-million tires in stock.

That is fully 25% higher than a year ago. And, if it should turn out that retail stocks also have been accumulating, prices could wobble.

So far, though, the principal hint of competition is talk in the trade of reintroduction of third-line tires (BW-May9'53,p34).

•

Inventory accumulation in the first quarter this year took place mainly at the retail level, Dept. of Commerce figures indicate.

And, despite record consumer buying of durable goods, **the whole January-to-March rise in retail stocks was in these hard items.**

Stores drew down their soft-goods stocks by about $200-million in this period; but hard-goods inventories went up by $600-million (all figures adjusted for seasonal variation) to top $10-billion.

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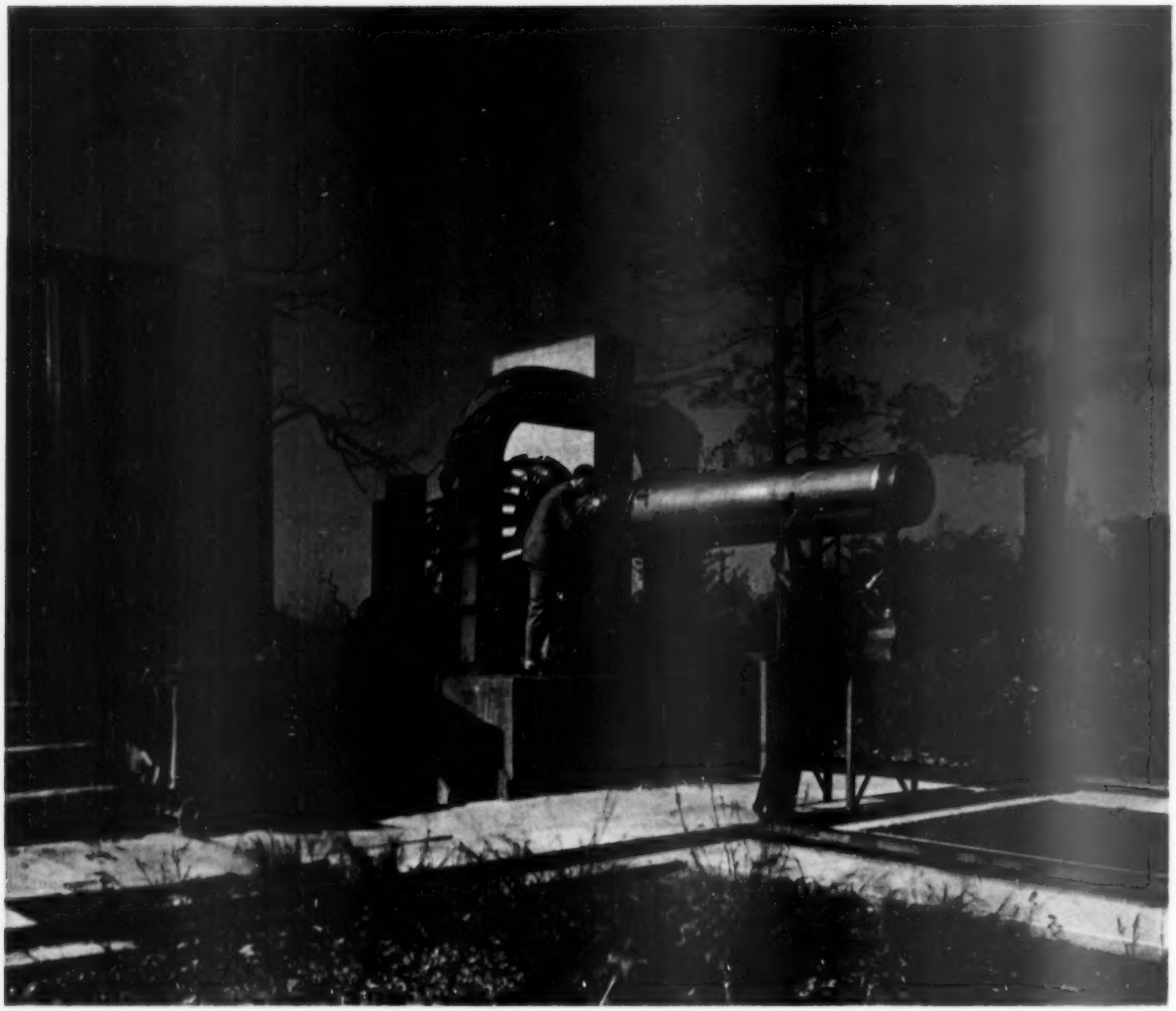


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PIONEERING on the Horizons of Steel

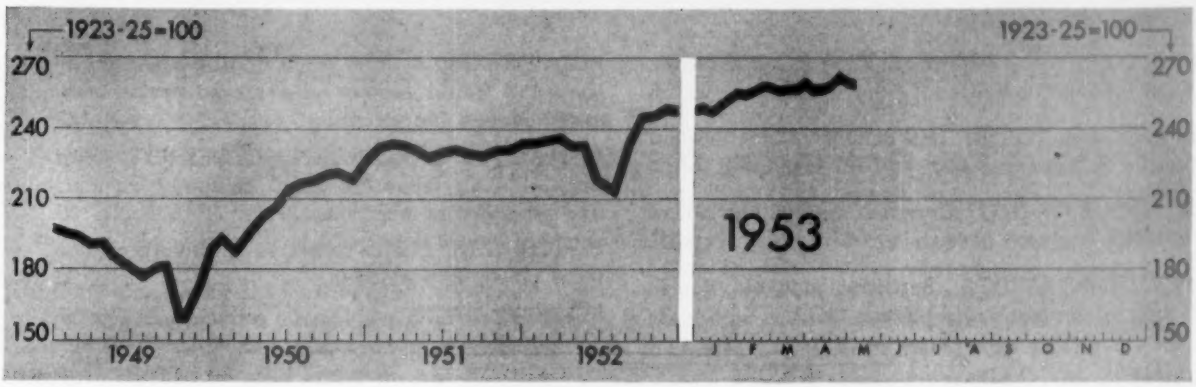
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FIGURES OF THE WEEK



	§ Latest Week	Preceding Week	Month Ago	Year Ago	1946 Average
Business Week Index (above)	*260.3	†261.1	258.4	234.8	173.1
PRODUCTION					
Steel ingot production (thousands of tons)	2,266	†2,259	2,228	2,102	1,281
Production of automobiles and trucks	182,123	†184,800	176,782	130,509	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	$49,831	$49,530	$48,175	$52,460	$17,083
Electric power output (millions of kilowatt-hours)	9,897	7,739	8,001	7,039	4,238
Crude oil and condensate production (daily av., thousands of bbls.)	6,335	6,276	6,268	N. A.	4,751
Bituminous coal production (daily average, thousands of tons)	1,458	†1,500	1,334	1,425	1,745
TRADE					
Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars)	78	77	76	73	82
Carloadings: all other (daily av., thousands of cars)	52	53	41	51	53
Department store sales (change from same week of preceding year)	+2%	−1%	+8%	−2%	+30%
Business failures (Dun and Bradstreet, number)	165	169	140	161	217
PRICES					
Spot commodities, daily index (Moody's Dec. 31, 1931 = 100)	416.6	418.6	414.4	434.2	311.9
Industrial raw materials, daily index (U. S. BLS, 1947-49 = 100)	86.8	86.9	87.9	102.2	††73.2
Foodstuffs, daily index (U. S. BLS, 1947-49 = 100)	88.9	88.7	87.8	92.8	††75.4
Finished steel, index (U. S. BLS, 1947-49 = 100)	132.2	†131.0	130.7	124.9	††76.4
Scrap steel composite (Iron Age, ton)	$38.66	$38.83	$42.75	$42.00**	$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.)	29.970¢	29.940¢	30.515¢	24.500¢	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	$2.38	$2.40	$2.36	$2.48	$1.97
Cotton, daily price (middling, ten designated markets, lb.)	33.3¢	33.52¢	32.89¢	38.71¢	30.56¢
Wool tops (Boston, lb.)	$2.10	$2.10	$2.10	$1.85	$1.51
FINANCE					
90 stocks, price index (Standard & Poor's)	197.3	197.5	197.4	188.9	135.7
Medium grade corporate bond yield (Baa issues, Moody's)	3.76%	3.75%	3.62%	3.49%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	2¼%	2½–2¼%	2¼%	2½–2¼%	¾–1%
BANKING (Millions of dollars)					
Demand deposits adjusted, reporting member banks	53,352	54,176	52,723	55,599	††45,820
Total loans and investments, reporting member banks	76,238	76,301	76,882	74,095	††72,036
Commercial and agricultural loans, reporting member banks	23,139	23,133	23,297	20,892	††9,299
U. S. gov't guaranteed obligations held, reporting member banks	29,185	29,249	29,736	31,845	††49,879
Total federal reserve credit outstanding	25,443	25,227	25,427	24,067	23,883

MONTHLY FIGURES OF THE WEEK		Latest Month	Preceding Month	Year Ago	1946 Average
Housing starts (in thousands)	April	110.0	97.0	106.2	55.9
Wholesale prices (U. S. BLS, 1947-49 = 100)	April	109.4	110.0	111.8	78.7
Personal income (seasonally adjusted, in billions)	March	$282.5	$280.9	$261.9	$177.7
Farm income (seasonally adjusted, in billions)	March	$19.7	$19.8	$19.2	$18.9

* *Preliminary, week ended May 9.*
** *Basing pt., less broker's fee.*
† *Revised.*
†† *Estimate*
§ *Date for "Latest Week" on each series on request*
N. A. Not available.

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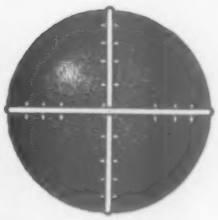
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Time-Saver FOR EXECUTIVES

Fast-Thinker FOR PILOTS

■ Sperry's Zero Reader* Flight Director is a "fast-thinking" calculator that saves valuable time for busy executives and relieves pilots of complex mental calculations. That's why more and more progressive corporations – large and small – are equipping their Executive Aircraft with this versatile instrument.

■ The Flight Director not only is used for en route flying but makes the difficult task of manual approaches on Instrument Landing Systems a routine procedure. Thus, business men are assured of keeping appointments even in rough weather.

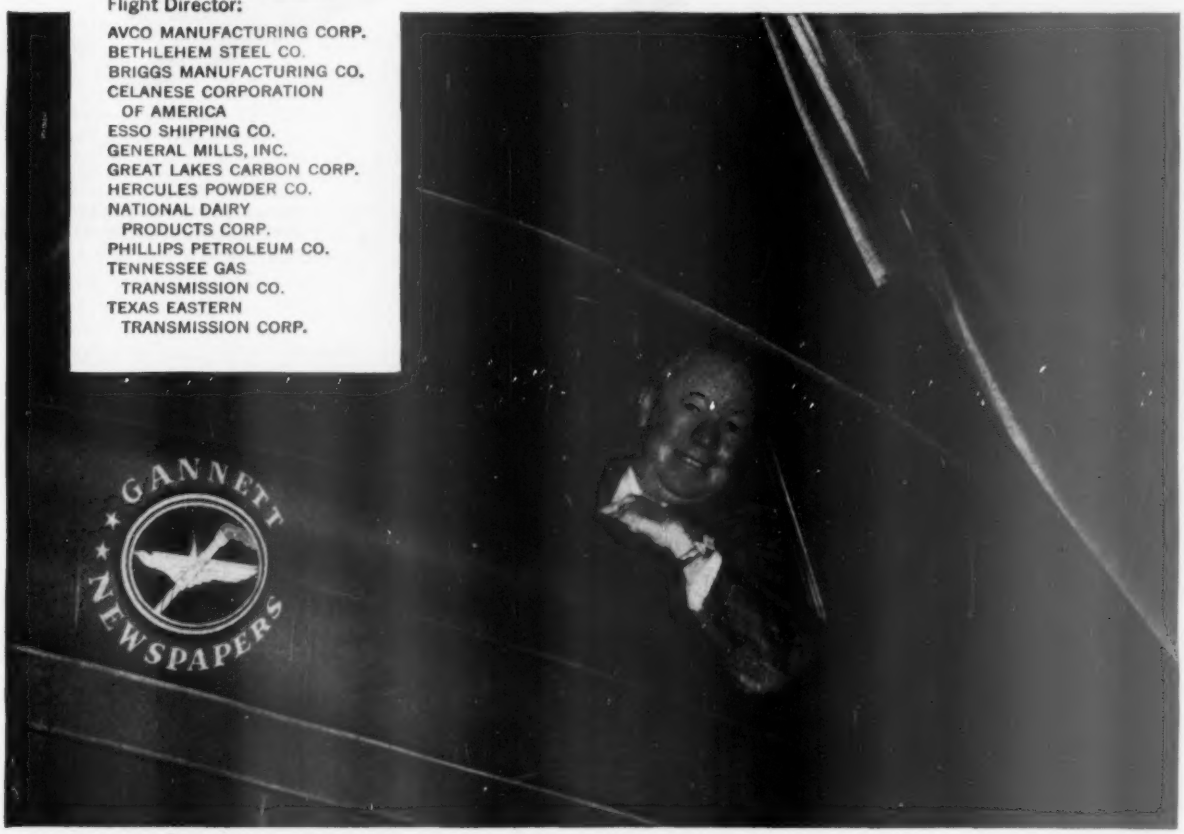
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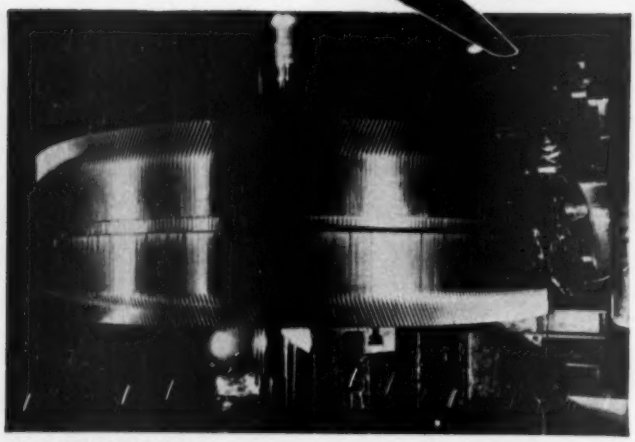
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BUSINESS WEEK

NUMBER 1237

May 16, 1953

What the Weather Is Doing to Business

Perverse disposition of the elements has all sorts of effects—some of them good, most of them bad.

Tornadoes ripped into two Texas cities this week. The results were disastrous. Over 70 people were killed, another 400 injured. Buildings were destroyed, power lines torn down, automobiles wrecked, streets piled with debris. Total property damage is in the millions of dollars.

All this made the headlines. Yet Texas wasn't the only state having trouble with the elements. A tornado is perhaps the most dramatic form of weather and one of the most dangerous to human life—yet it isn't necessarily the most harmful to business. It lasts only a short time, and its rampages are confined to a relatively small area. Excessive heat, cold, drought, or rain can cost businessmen plenty.

That being the case, businessmen in almost every state from Maine to California had reason to gripe this week. The weather, thus far in 1953, has been crazy. Even the conservative Weather Bureau admits it.

• **Backward**—The year started out with the second warmest winter in the Weather Bureau's 60-year records. Then, in April, the situation was reversed. In many parts of the country, this spring has been one of the coldest on record.

Still stranger is the rain situation. In the Northeast and Northwest, there has been 50% to 100% more rainfall than normal in the past four months. But parts of the West and Southwest have had less than one-fourth their normal quota.

And there have been scores of freakish local phenomena. The Great Plains had dust storms in mid-February. In March, farmers as far north as Iowa were working completely frost-free ground. Then, in the middle of April, two inches of snow fell on Boston.

• **Crops**—This freakish weather has had telling effects on business. Most directly hit, of course, have been farmers.

Fruit farmers probably fared worst of all. The warm winter made early fruit ripen more quickly than usual; then the cold April knocked it down. The peach crop in parts of Kansas and Missouri has been nearly wiped out. Arkansas strawberry production this year is running at about 30 crates per acre, compared to a 10-year average of 56.

Grain farmers are hurting, too. In northern Ohio, only 60% of the normal oat acreage has been planted—a result of wet weather. Kansas wheat growers figure this year's crop won't be half so big as last year's.

• **Sports**—Farmers aren't alone with their troubles, though. If there's one field of business to which a cold, wet spring is absolute poison, it's outdoor sports and amusements.

Take baseball, for instance. In the first 24 days of the National League season, there were 29 postponements because of weather. The Chicago Cubs had a total attendance of 7,000 at their only Sunday home game this year—compared with 38,000 for the same game last year. The Boston Red Sox had to cancel their opening game because the field was covered with snow.

Drive-in movies are in the same boat. One movie operator in Boston reports that his business for the 45 days ended May 1 this year was only half that of the same period last year.

Golf courses have been doing less business, too. A course in Kansas City, Mo., says its green fees have totaled one-third less than normal so far this year. That's largely because much of Kansas City's bad weather has come on weekends.

• **Clothes**—Retailers are also among those bewailing the weather. Says a department store executive from Columbus, Ohio: "Once you come out of Easter, you depend on preseason summer business. That depends on favorable weather—which is something we haven't had."

Stores in most of the rained-on areas are selling fewer summer clothes and summer gadgets than they usually do at this time of year. One department store figures its summer clothing sales are 10% below what they should be. And sales from its garden shop—rakes, seeds, fertilizer—are off 20%.

• **Other Fields**—Another sufferer from the wet weather is the construction industry. Housing starts in many areas are below last year's. Worst hit are the small construction outfits. Big companies are managing fairly well in spite of the rain; they simply shift men to indoor jobs until the sun comes out.

A further result of inclement weather is that lumbering operations in some states have slowed down to a crawl. In Alabama, for instance, loggers have been able to work outdoors an average of only a few hours a day.

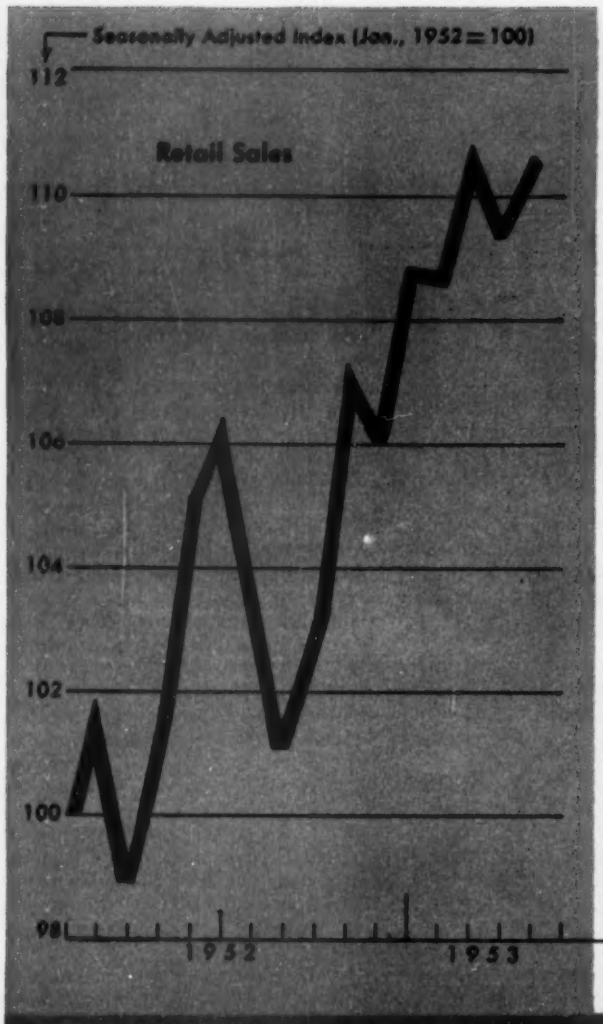
• **Suny Side**—Still, all is not black. Rain clouds traditionally have a silver lining—and this year's clouds have been no exception.

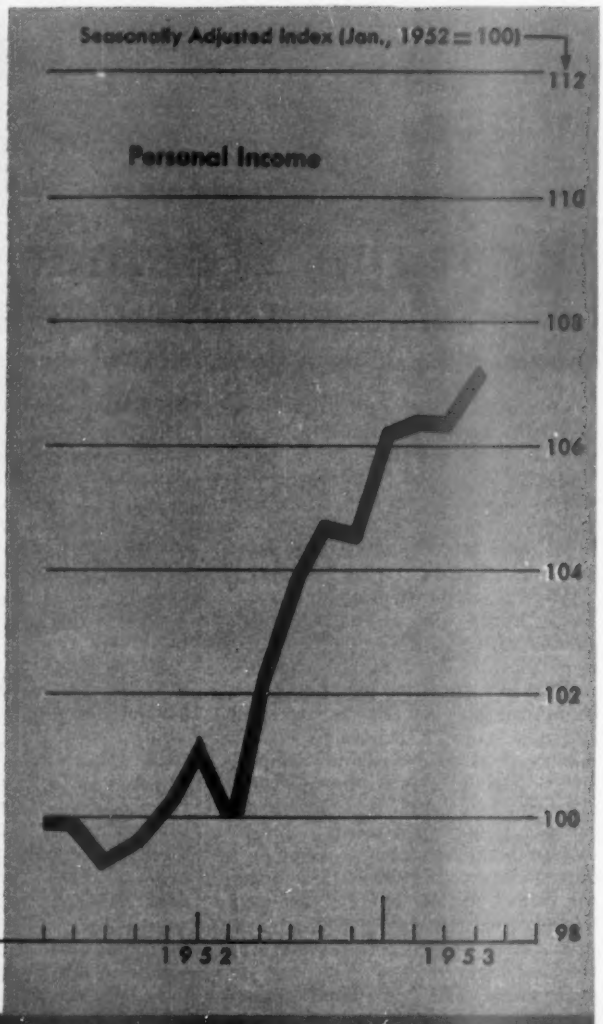
Power companies report that business is up because rain keeps people indoors, with lights and television turned on. An airline in the Northeast is doing the biggest April business in its history—possibly, it figures, because people are fed up with home weather and are making for happier climes. And a big downtown women's store in Wilmington, Del., says its sales of umbrellas are booming.

Some areas of the country—notably Florida and California—have been going through a heat wave during the past two weeks, rather than a deluge. The temperature in Jacksonville last weekend was 94F—equal to a record for the day set in 1948. It's estimated that there were more people on Jacksonville's beach on Sunday than there had been last July 4. This helped beach business, which had previously sagged soddenly under weeks of rain.

• **Why?**—What are the reasons behind this year's unusual weather? Experts will tell you, in the first place, that weather is always unusual—that is, no two years are ever alike. Then they'll go on to explain the weather in terms of air masses, air streams, ocean currents, and the like.

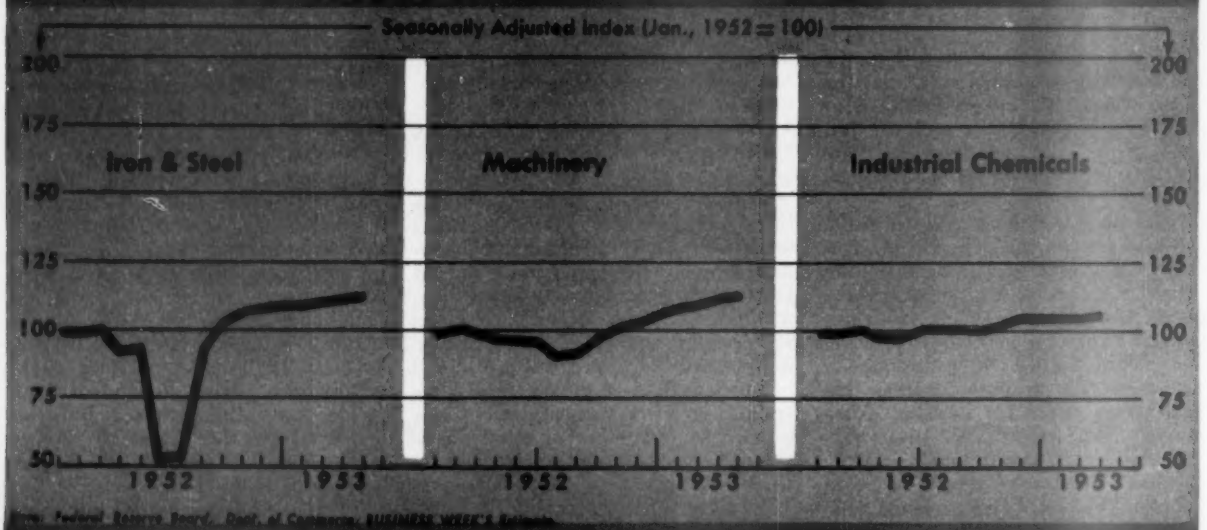
But if you press them for ultimate causes, they'll tell you they aren't exactly sure. They know that many factors enter the picture. But they aren't certain they know all the factors. And they don't know precisely how each of the factors acts, or how much it contributes to the end result. Weather forecasting is still more a descriptive art than an exact, cause-and-effect science.



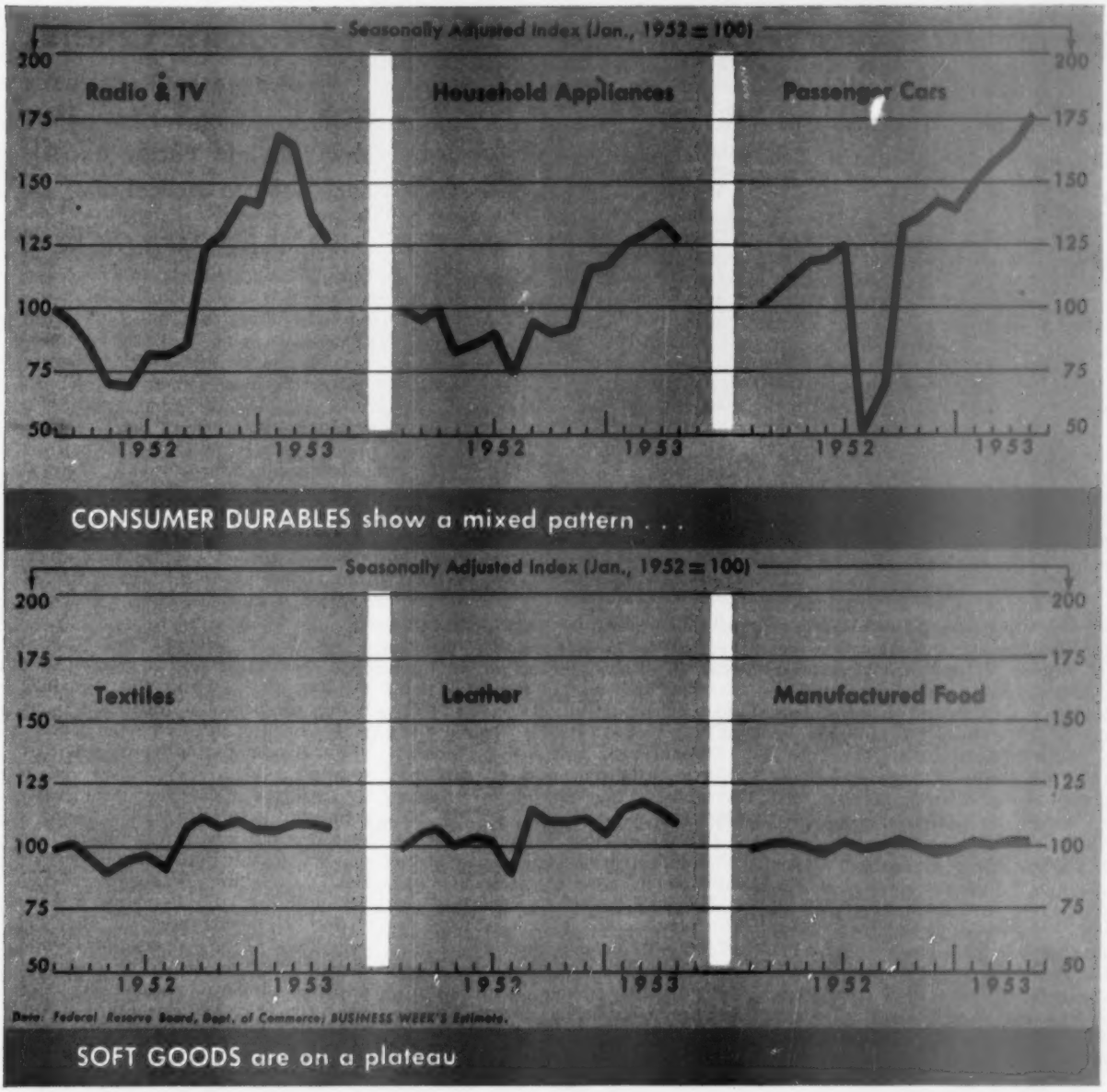


RETAIL SALES, after a long spurt, have started jiggling but . . .

PERSONAL INCOME, which lagged for several months, has just taken a jump.



HEAVY INDUSTRY is still on the rise . . .



Is This the Top of the Boom?

Economists who are worrying about a recession (or maybe they just call it an adjustment) aren't getting much support from businessmen. Nor, for that matter, from official mouthpieces in Washington.

You've been hearing a lot about businessmen's side of the case these last few weeks as they outlined 1953 business prospects for stockholders at annual meetings. Preponderantly, they see little to worry about—whether they are looking at sales volume, earnings, or dividends.

And whatever qualms had been afflicting Washington earlier seem to have passed. Treasury aide W. Randolph Burgess described the economy last week as healthy as a bull calf. He seems to speak the general mind: BUSINESS WEEK's Washington bureau this week scoured the capital fruitlessly in search of anyone who might see that dip coming in the second half of this year or even in the fourth quarter.

So the debate, such as it is, simmers down pretty much to the question, is this the top? These charts of income, total retail sales, and production are the basic statistical evidence from which you can draw your conclusions.

It's hard for anyone to answer with an unqualified "Yes." That will be so while the steel industry and the auto makers are straining to increase output.

Yet at least some of the zip has gone out of the upsurge. Retail sales haven't racked up any conspicuous gains since Christmas. Nor has personal income, which provides the wherewithal for retail transactions, been going up at the breakneck rate that marked the last half of 1952.

Perhaps the oft-heralded manpower shortage (with unemployment at only 1.7-million) is applying the brake. Then, again, maybe personal income will jump once more with another round of wage increases

And if this is the top, how long is it before turndown?

A Census or Not?

Congress is softening and may go ahead this year with the business census deferred by the House.

Businessmen for a long time have had the year 1953 ringed on their calendars. It was to be the benchmark for the government's first simultaneous census of manufacturing, distribution, mining, and transportation—until it ran into the Administration's economy drive and the House cut it out of the budget.

This week Congress shows signs of weakening, and it looks as though the Senate might reinstate the program.

• **Clamoring**—Carrying some weight is the fact that last week many business groups rushed to defend the census. One of the first was the American Retail Federation.

The National Assn. of Wholesalers and advertising groups added their protests, made louder by Commerce Secretary Sinclair Weeks' own blue-ribbon business advisory council, meeting at Hot Springs. It warned that postponement would destroy the continuity of the statistical series.

• **The Big Picture**—Congress originally adopted the new census program, one long sought by marketers, economists, government officials, and others who have to plan ahead, to establish a basic picture of the postwar, postboom, economy by getting hard facts on all basic components of the economy at one time. It had already spent more than $1.6-million preparing for the census, when the House completely knocked out of the Dept. of Commerce budget the $11.5-million needed to carry out the job.

The appropriation had been recommended in the revised budget approved by President Eisenhower, but the signals got crossed. During House hearings, testimony of Secretary Weeks and Under Secretary Walter Williams encouraged congressmen to vote that the count be deferred. Now Weeks has changed his mind, is convinced that the census is worth more to business and the country than the temporary savings involved.

• **Unprepared**—The House action caught businessmen by surprise. From the marketers standpoint, the need for such a census is obvious. During the postwar years markets have shifted rapidly. The studies would provide basic measurement for day-to-day business decisions.

For nearly two years trade groups have been conferring with census officials who have been preparing question forms and mailing lists, and both Weeks and Williams have been publicly proclaiming the need for well-balanced sales programs to take up the slack as government spending tapers off. Marketers assumed every effort would be made to provide the basic tools.

• **Worthwhile**—Business groups admittedly are in a dilemma. Many had been calling for reductions in government spending.

In their appeals, however, they stress that the Administration has already clipped $10-million off the census appropriation. Some of the savings were temporary, but other cuts were real. Nearly $2-million, for instance, will be saved through sheer efficiency: The census will be done by mail, eliminating a field force of approximately 8,000 enumerators.

Revenue Bureau Relaxes Depreciation Policy

Businessmen who have been unhappy over the rigid tax depreciation formulas of the Bureau of Internal Revenue this week got the break they had been hoping for (BW—Mar.14'53, p37).

Commissioner T. Coleman Andrews ordered that from now on tax collectors are to quit haggling over trifling differences of opinion.

This means that the judgment of businessmen about how they want to write off the cost of equipment and buildings for tax purposes will be given freer play.

• **Limits**—It doesn't mean they can choose any rate that appeals to them. But from now, revenue agents are supposed to accept depreciation deductions unless they are clearly in violation of standard business practices. Bulletin F, the bureau's book of formulas on depreciation allowances, will apparently become merely a broad guide to what is reasonable—instead of being relied on, chapter and verse, by literal-minded tax collectors.

Andrews' order doesn't let tax payers change rates of depreciation already in effect on particular equipment. But it does apply to any dispute between taxpayers and BIR that hasn't yet reached the point of final decision inside the bureau.

• **Criteria**—Andrews has ordered his field agents to judge businessmen's deductions according to two criteria: (1) Is the rate taken by the taxpayer fair and reasonable? (2) Would adjustments based on standard BIR practices amount to only a small sum? If the answer to these questions is yes, the agent will accept the taxpayer's schedule.

New Joint Chiefs

Total reshuffle pleases GOP. Incoming service heads have all had Pacific experience, lean to tactical air.

The new Joint Chiefs of Staff are just what Republican leaders have been demanding—a complete sweepout and a whole new team. Actually, all of the top brass except the Chief of Naval Operations, Adm. William Fechteler, were due to be replaced this summer anyway. Fechteler's four-year term ran until Aug. 16, 1955, but a Pentagon policy change last week did away with the four-year terms. Now the brass are to be appointed for two years. The new team is due to take office this Aug. 16, except for the Air Force boss who moves in on June 30.

• **New Angles**—There are two significant factors about this new group of Radford, Ridgway, Carney, and Twining.

• All the admirals and generals favor the tactical side of aviation over the strategic. Not that they are chest beaters for tactical aviation. The point is that none of them buys the concept of the superbomber as the sole deterrent to war.

• All of them have held major commands in the Pacific. The feeling is that they are more "Asia-minded," as opposed to the Europe-mindedness of Bradley, Collins, Vandenberg, and Fechteler.

Both of these factors will alter the complexion of the Pentagon, for a while at least. Both are bound to result in a new look at the roles and missions of the forces that were established at Key West five years ago. At that time the Air Force was in the driver's seat and forced the Army and Navy to take what they considered almost secondary roles.

A new analysis would probably assign more air missions to both the Army and the Navy. The Army wants its own troop carrier force; the Navy seeks a bigger bombing role.

Here's a rundown on the new defense bosses:

Adm. Arthur W. Radford, present commander in chief of the Pacific Fleet, becomes chairman of the Joint Chiefs. A 57-year old naval aviator, Radford is identified with the revolt of the admirals against the B-36 during the budget controversy of 1949, when Defense Secretary Louis Johnson, on orders from the White House, suspended construction of the Navy's supercarrier. The revolt was considered to have killed Radford's chances of becoming Chief of Naval Operations after the death of Forrest Sherman in Naples,

last year. Radford is strictly a carrier man and an outspoken enthusiast for tactical aviation.

The admiral will be the third chairman of the Joint Chiefs of Staff and the first Navy man to hold the post. (His predecessors: Gen. Omar N. Bradley and Gen. Eisenhower.) Of the three, Radford is the only one not holding five-star rank.

Gen. Matthew B. Ridgway, now commander of NATO forces, will take over as Chief of Staff of the Army, replacing Gen. J. Lawton Collins. This will be Ridgway's third move in the past three years: from Deputy Chief of Staff of the Army to replacement of Gen. MacArthur as Far East commander, to NATO, and now to Washington. Ridgway, a grenade-carrying paratrooper, has the infantryman's feeling about air power—that up to this time not enough attention has been paid to tactical air support of ground troops.

Adm. Robert B. (Mick) Carney takes over as Chief of Naval Operations from the nonflying Adm. Fechteler. Carney, a nonflyer himself, is best known for his work as Chief of Staff to Adm. "Bull" Halsey—famous commander of the Third Fleet in the South Pacific. Carney also set up the patrol aviation elements that protected convoys in the Atlantic.

Gen. Nathan F. Twining, who replaces Air boss Hoyt Vandenberg on June 30, was World War II commander of the 13th and 15th Air Force—both heavy bomber outfits that had their own tactical support. Since the end of the war, Twining has held a succession of administrative positions in the Air Force and practically every top job, except that of the commanding general of the Strategic Air Command.

Twining has never been stamped with the label of strategic air power as Le May and Vandenberg have. He actually leans more toward building tactical air power, which has had to get along on budget leftovers since World War II. Twining would like to see more attention paid to tactical air, but not at the expense of cutting back on existing strategic air power.

Bradley and Vandenberg will retire from active service this summer; Collins and Fechteler will be given new assignments. Gen. Alfred M. Gruenther, now No. 2 man at NATO, will take over as Supreme Commander of Allied Forces in Europe. This will be the first major command of field forces for the 54-year-old Gruenther. Heretofore, Gruenther has been the chief planner for other top brass. His service nickname is "the brain." Gruenther's new position will set him up for possible assignment either as Chief of Staff of the Army or chairman of the Joint Chiefs two years hence.



SENATE HEARINGS on Johnson bill brought together (left to right) Sen. Bricker of Ohio, Sen. Johnson of Colo., Ford Frick, commissioner of baseball, Joe Cronin of the Red Sox, and Frank Shaughnessy of the International League. The goal:

Aid for Ailing Minor Leagues

Sen. Edwin Johnson's bill would protect gate-starved teams from broadcasting of major league games.

Minor league baseball is in tough shape at the turnstiles. And everything is being blamed from TV competition to the siphoning off of star gate attractions by the major leagues.

This week the Senate Commerce Committee was winding up hearings on the bill by Sen. Edwin C. Johnson (D-Colo.) to provide balm for the minors. Johnson, an ardent fan and president of the Class A Western League, would do two things:

• Reestablish baseball's controversial Rule 1-D to protect club owners against telecasts and broadcasts of games within their home territory (a 50-mi. radius) without their consent. Baseball repealed the rule in 1949 under pressure from the Justice Dept., but never conceded that it was illegal.

• Protect baseball from antitrust prosecution by the Justice Dept.

Johnson's basic goal is to prevent the televising or broadcasting of major league games in minor league territory. The minors complain that no one will come out to watch their games when the customers have the option of watching or hearing a major league game for free at home.

A massive array of baseball figures appeared at the hearings to support Johnson's bill. The list included Ford Frick, commissioner of baseball; Warren Giles, president of the National League; Branch Rickey, general manager of the Pittsburgh Pirates; Frank Shaughnessy, president of the International League; A. B. Chandler, former commissioner.

• **The Public**—The opposition to the bill came entirely from broadcasting circles. The National Assn. of Radio and TV Broadcasters argued that the bill would deprive the public of what the association described as its right to see and hear major league games.

Another foe of the bill was Gordon McLendon, 31-year-old Texas broadcaster, whose defunct Liberty Broadcasting System has a $12-million monopoly suit pending against 13 major league clubs. McLendon, now associated with the Trinity Broadcasting Co. of Texas, specializes in dramatized recreations of major league games. He told the committee that his Liberty network went bust when the major league teams made it impossible for him to continue the "Game of the Day."

Johnson attacked recreated versions as a "fraud on the public," saying that the broadcasters pay nothing to the teams whose games they recreate and sell to stations for commercial use.



Scenery is hustled off to State Fair Auditorium, while . . .



Singers Jean Madeira (left), Roberta Peters are welcomed for . . .



Big opening. B. F. McLain, a sponsor, escorts first-nighters.



Dallas Turns



RECORD SHOPS grab the chance to get artists like Rise Stevens to sign albums.

Out for New York Met



SELLOUT is rejoiced by (left to right) McLain, Conductor Fritz Reiner, Met general manager Bing, sponsor W. Prehn, and A. L. Kramer, Jr., head of Dallas opera group.

Nothing is more exasperating to Rudolf Bing, general manager of the Metropolitan Opera Assn., than the widespread notion that the Met is a snobbish New York institution that is merely throwing bones to outsiders when it goes on tour each spring. New York has not and never has had a corner on opera lovers, Bing claims. The whole country is meat for the Met, and helps keep its finances on key.

One city that helps bear out Bing's claim is Dallas, high-ranking stop on the spring itinerary. Dallas, where the Met wound up a three-day stand May 10, considers itself pretty savvy when it comes to opera. And it knows how to make the most of it, culturally, socially, and commercially.

• **Box-Office Hit**—In Dallas, opera supports itself. Every performance in the 4,285-seat State Fair Auditorium is nearly always a sellout, and in 14 years the Dallas Grand Opera Assn., nonprofit, civic sponsoring group, has never

had to call on its 132 underwriters once.

The annual Met appearance, of course, is a big social event for the upper crust; Dallas is the only tour city, however, that invites not just the stars but the whole company down to the last spear-carrier to the opening-night ball. The Met stopover employs a lot of local labor. It brings in scores of out-of-town opera lovers, even from far-away states, with wallets bulging. Local merchants peg their advertising on the event, and Dallas people spend a lot of money on new formal wear and party fare. Music stores and record shops promote opera librettos and albums. The city is even finding opera helpful in luring new industry to Dallas.

• **A Big Job**—The spring tour, which starts right after the regular New York season closes, is a boost for the Met, too. A Met official in New York claims that even though moving the opera and all its accouterments is a vast and expensive undertaking, it pays well enough to help make up for the deficit the company builds up in the New York opera house. Bing, himself, is less optimistic, however. He says the tour just about makes expenses, which are tremendous. Cost of each opera, Bing claims, averages about $20,000; wear and tear on scenery may reach $50,000 in one season. Expenses like this, of course, eat a big hole out of the net.

It's easy to see why. When the company left New York Apr. 12, to show 17 operas in 16 cities throughout the U. S. and Canada, everything went with it but the opera house. The seven-week tour, which winds up in Toronto May 30, will carry the 300-man company 7,586 mi. It requires two passenger and two freight trains.

• **The Real Thing**—It takes 26 baggage cars, each 70 ft. long, to move the massive Metropolitan scenery, properties, about 15,000 costumes, and lighting equipment.

One reason the Met travels so heavily is that it has no road versions; it takes the whole New York production on tour. If the stage of a tour city is too small to accommodate the scenery, the Met simply eliminates pieces, or replaces them with specially prepared ones.

• **Capacity**—For that reason a city has to have a fairly large stage to get on the list. Also, the Met tries to hit cities that have halls of much larger seating capacity than the New York opera house: Toronto, for instance, claims 11,500 seats. That's one big thing that makes the tour pay off. The other is that seats in tour cities are priced a lot higher than in New York. The Dallas top of $7.80 is not high compared with other cities. Washington's top is $12; Toronto is one of several with a $10 top.

The fact that people are willing to pay that much indicates that Dallas is not the only hinterland city clamoring for the Met. Subscriptions are said to have nearly doubled in the past 10 or 15 years, and the Met constantly turns down requests by cities that want to be included in the tour. "We have to limit the itinerary," said one official, "for practical reasons. We have to fight the map, the calendar, and the thermometer."

• **Rigorous**—Geography is a very important factor. The company can't go to a city too far off the regular route to be able to make it to the next town the following night. Expenses are simply too big.

Furthermore, the Met has to consider the artists. They may have summer commitments for concerts or TV, say, and must be given time to rest. Finally, it must consider the weather. Listeners don't generally go much for opera in the summer, since to be most effective it must be held indoors.

• **Exclusive**—From 1909 till 1931 the Metropolitan limited its southern junket to Atlanta, though Dallas had been trying to get on the list for years. In 1939 it did, largely through the persistent efforts of the late Arthur Lee Kramer, Sr., then president of A. Harris & Co. department store. The Met asked for a $100,000 guarantee from Dallas, and within a week Kramer got $136,800.

• **Steady Climb**—One hundred Dallas businessmen underwrote the first season, and expenses came to just $72,800 —$260 less than the Met took in. The second season, surplus jumped to $3,719.

The first-season breakdown went like this: The first $55,000 went to the Metropolitan, the next $5,000 to the Dallas Grand Opera Assn.; the rest the two divided equally.

• **Privileged**—Today there are 132 underwriters with pledges ranging from $1,000 to $5,000. They can buy eight choice-seat tickets per $1,000 pledge, and they get the privilege of entertaining the artists and celebrities, who are parceled out for parties.

The association absorbs the ticket-sale expenses, rent of the auditorium, staff salaries, publicity, and advertising. Only one ad had to be placed this year to bring a total attendance of 17,775. That was 417 below 1952, but the total gross of $110,353 was second only to 1947 when gross, without tax, came to $110,744.

• **Sophisticated**—Of the four operas Dallas selected from the touring repertoire this year—Don Giovanni, Rigoletto, Der Rosenkavalier, and Tristan und Isolde—Rigoletto, always reliable at the box office, was the best money bill.

But Dallas likes to feature the masterpieces rather than the strong box-office operas.

Peppier Gas

Shell's new gas additive promises more power and mileage, opens the way for higher-compression engines.

Shell Oil Co. announced this week that it would immediately start putting a new additive, called TCP (for tricresyl phosphate), in its premium gasoline. TCP will raise the price of the fuel a half cent, but Shell thinks the higher cost will be offset by better performance of the fuel.

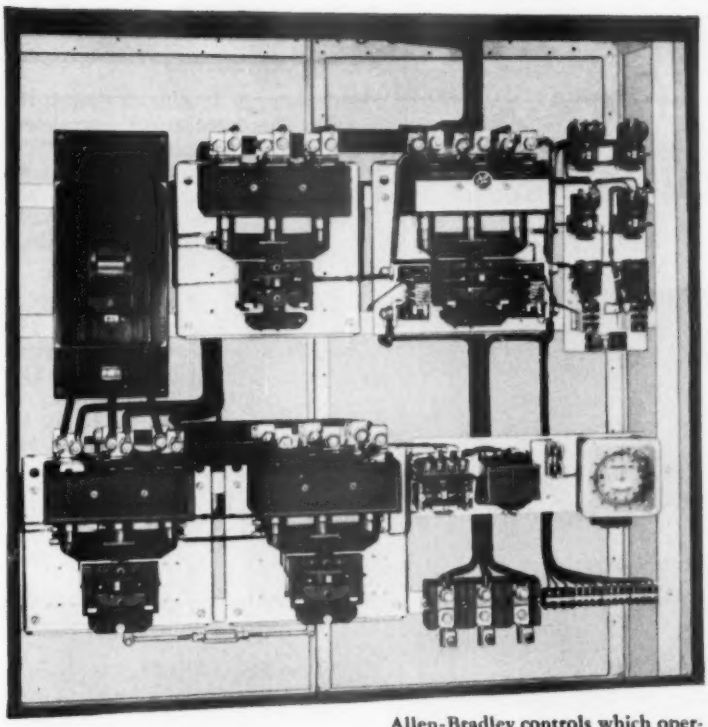
The additive is designed to prevent carbon deposits from building up on spark plugs and in the engine. These deposits keep the spark plugs from firing accurately. They also hold heat in the engine, which may cause the incoming gasoline to explode prematurely, wasting fuel and power.

• **Du Pont Findings**—Three days after Shell announced its plans, three chemists of E. I. du Pont de Nemours & Co. presented a paper, at an American Petroleum Institute meeting in New York, that indicated that their experiments showed that new additives could be beneficial. The du Pont chemists don't say what additives they tried, but refer to them only as additives "X," "Y," and "Z." They conclude, however, that a small amount of the proper additive will decrease engine deposits and will improve fuel performance.

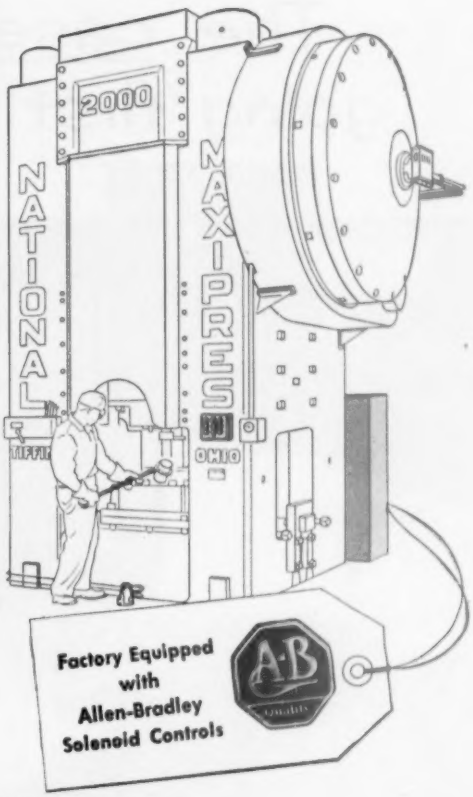
The du Pont chemists point out an advantage that may be of even more lasting importance. The compression ratio of an engine determines how much power an engine gets from fuel—the higher the compression ratio, the better the utilization of the fuel. The premature explosion of gasoline in high-compression engines, however, has limited the extent to which engine designers could use the high-compression idea. The addition of tetraethyl lead, now common in most premium gasolines, permitted car designers to use the high-compression engines that go into many cars today. The du Pont chemists think that the new additives will permit designers to use engines with even higher compression ratios than are common today.

• **More Zip**—But the future promise of the additives does not detract from the present possibilities. Shell tested TCP and thinks the new gasoline will give "the average car up to 15% more power, more mileage." Field tests show that full benefits of TCP show up as early as the second tankful of gasoline, according to Shell.

The tests, just completed, were so successful that Shell decided to start using it immediately.

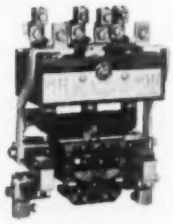


Allen-Bradley controls which operate the National Maxipres machine.



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OPERATED BY ALLEN-BRADLEY



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Starter. Size 5



Bulletin 709 Solenoid
Starter. Size 1



Bulletin 849
Pneumatic Timer

Maxipresses are used for forging a wide variety of parts for automobiles, aircraft, farm implements and other applications.

It is another example of Allen-Bradley solenoid motor controls doing an outstanding job of controlling large production equipment for industry. The simplicity of these controls has resulted in a reputation for rugged, reliable performance. The one moving part in all Allen-Bradley solenoid starters guarantees millions of trouble free operations. Double break, silver alloy contacts require no maintenance. Reliable overload relays are on the job constantly, protecting men, motors, and machines.

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The case for going first class!



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Go Pullman

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BUSINESS BRIEFS

Didn't mean it: It looks as though the move for a constitutional amendment to limit federal income taxes to 25% of an individual's income is dead. Maine lawmakers told Congress to ignore their earlier stand supporting it; that means other less conservative states would probably never go along.

•

Stock-exchange merger of Dallas' $30-million Transcontinental Bus System, next largest to Greyhound, and the $10-million American Buslines, Inc., of Lincoln, Neb., was approved by the Interstate Commerce Commission. The enlarged company—Continental Trailways Bus System—will cover 46,947 route miles in 31 states. It has applied for four more purchases.

•

20th Century-Fox president, Spyros Skouras, scored a thumping victory at stockholders' meeting in Wilmington, latest development in his battle with New York financier Charles Green over control of the film company. Stockholders approved a new one-ballot-for-one-director voting system promoted by Skouras that would give Green's group little chance to elect anyone to the board. Directors will be chosen in New York May 19.

•

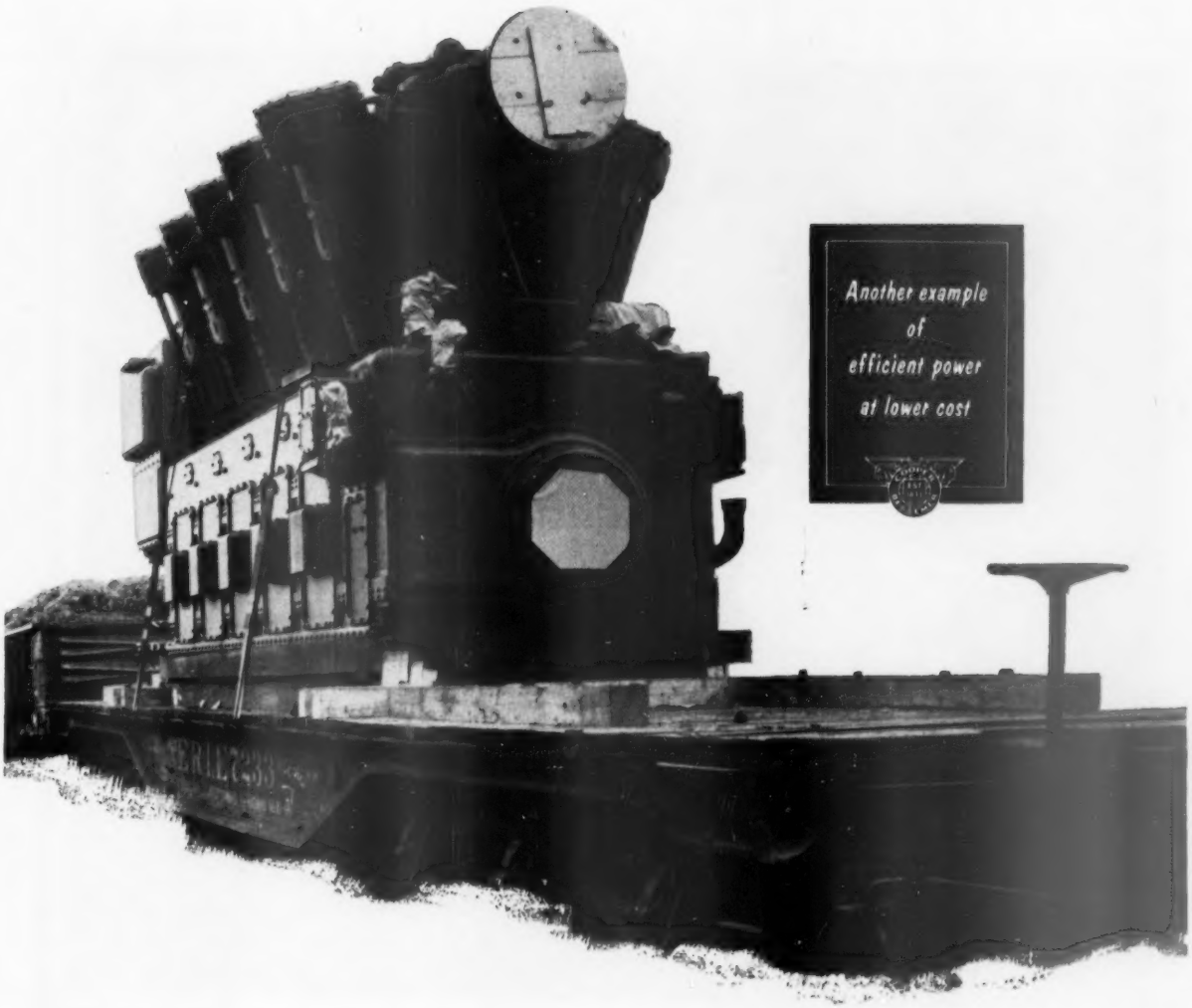
Pioneer Air Lines, tottering North Texas feeder line, must get rid of its nine Martin 202s, stick to the slower, less costly Douglas DC-3s. That's the Civil Aeronautics Board's final word. Failure of the experiment, which nearly put Pioneer out of business, may make other feeder lines think twice before trying to buy bigger-than-DC-3 equipment (BW—Mar.28'53,p33).

•

Federal Power Commission gave New York State a preliminary go-ahead on developing St. Lawrence power. It recommends issuing the state a 50-year license to build and operate part of a $600-million project, necessary to development of the St. Lawrence Seaway (BW—Jan.10'53,p26). Limited U. S. participation got President Eisenhower's blessing last week.

•

The $1.2-million sale of the government's half interest in Jasco, Inc., to Standard Oil Development Co., subsidiary of Standard Oil Co. (N. J.), got Attorney General Herbert Brownell's O.K. Jasco holds basic synthetic rubber patents, was owned jointly by the Standard subsidiary and I. G. Farben before the U. S. seized the German holdings during the war.



How to cut power costs in a BIG way

THE machine shown above is the most powerful compressor gas engine built anywhere today. But don't let that fool you. The fact that this Cooper-Bessemer engine is being shipped as a complete assembled unit attests its true compactness. In this respect alone it saves many thousands of installation dollars where horsepower needs run high . . . as in cross-country gas pipeline compressor stations.

But that's only a small part of the latest economy picture. Thanks to new developments in the fueling, air flow, combustion and mechanical design of these and other Cooper-Bessemer engine types, old records of fuel and lube economy have gone by the boards. For example, a 200,000 to 250,000 horsepower pipeline would save upwards of a million dollars a year. And that's *continuing* economy!

If you have an interest in power, *any* application of heavy-duty power, Cooper-Bessemer would like to show you how to cut costs. It will pay you to find out about the *new* things being done by one of America's *oldest* engine builders. The Cooper-Bessemer Corporation, Mount Vernon, Ohio, and Grove City, Pennsylvania.

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"DON'T TELL ME THAT HAPPENED AT WORK!"

"Well, dear, I . . ."

"You can't tell me that happened on the job. Everybody knows it's the safest place in town to work. Now where did you get that black eye?"

"I'm just trying to tell you, honey. I bumped it in the cellar this morning. You're darned right the plant is safe. I ought to stay there . . . it's a lot safer than this house!"

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Humanics can help you cut your compensation insurance costs. How . . . and how much . . . you can find out by calling or writing the nearest Liberty Mutual office. Look for it in your telephone book. Or write to us at 175 Berkeley Street, Boston 17, Massachusetts.

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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
MAY 16, 1953



Eisenhower-Congress relations face a new test. Troubles so far have been relatively minor. And the President has come out O.K. on most—on the Wilson confirmation and who controls submerged oil lands. But new and broader issues will come to a boil during the next 60 days. They will show the President and many members of his party out of step. The Democrats are whetting their knives, hoping to win Congress back in the 1954 elections. Businessmen's stake in what happens is high.

•

The budget will become a battleground—because of the changes Eisenhower will make in spending and appropriations schedules for the upcoming fiscal year.

Republicans in Congress are disappointed at the record to date. The Administration set out to whack upward of $8-billion off the budget prepared by Truman. But actual cuts are only $4-billion plus.

Two more years of deficits are in sight—deficits in fiscal 1954 (which starts July 1) and in fiscal 1955. In fact, there's doubt that the present $275-billion national debt ceiling will be high enough.

•

Taxes are the other side of the spending coin. Not yet being able to get spending down far enough, the Administration wants to keep the present taxes.

That irks many Republicans, too. The Democrats had scheduled the expiration of the excess-profits tax for June 30. Now the Republicans expect a White House request to keep EPT for another six months, at least, and maybe until next midyear.

A revolt may be in the making. There's rising talk in Congress that the only way to cut government spending is to take away part of the money. In other words, let tax revenues decline—confront the executive branch with a smaller income, hoping it will cut spending more.

•

The Democrats are chortling on the sidelines. Now they don't have to defend. They can attack.

The politics of it is simply this: Economy was made a high note in the Presidential campaign—the idea that Eisenhower could cut way down on Democratic spending, balance the budget, and ease the tax burden. House and Senate Republicans up for reelection next year want performance, not just future hopes, on which to base their campaigns. The fact is that the loss of a few seats could cost the GOP its majorities in Congress. That would confront Eisenhower with a really tough second half of his term.

•

Smaller issues will be building up in the meantime. No one of them is serious in terms of votes. But in the aggregate, they are big.

Take Taft-Hartley act revision, for example. The Administration has provided no leadership—not publicly, anyhow—on what changes should or shouldn't be made. Right now, the big unions seem disposed to fight any changes in the law, feeling that they would turn out to be "anti-union." The gamble is that the unions might be able to upset a few congressmen next year.

•

There's a farm fight, too, on reorganization. The Democrats are making this a party issue. They are trying to block Eisenhower's plan on the grounds that it gives too much power to Secretary of Agriculture Benson.

But the big fight for farm votes will come next year. That's when the Republicans have to come forward with an alternative to high price supports, or live with what they inherited from the Truman Administration.

The GOP may have nothing brand-new to offer. The drift right now seems to be toward somewhat lower support levels, but with controls on production to avoid the big surpluses that run up price-support costs. The hitch in it: Farmers don't like the government to order them what to do.

•

Statehood for Hawaii is snarled, with final passage uncertain.

Alaskan statehood is being tied in. This maneuver is by Democrats in the Senate who feel 48 states are enough, for now.

The St. Lawrence Seaway project still is uncertain. Senate chances are pretty good. But on the House side, Public Works Committee Chairman Dondero is having trouble getting hearings started—he faces a stall.

•

The reciprocal trade act will be extended pretty much as it is now. The vote may be delayed until after the June 12 expiration. But that won't make any difference. Tariff cuts now in effect will stay, but the Administration has no plans for new, big cuts in the year ahead.

The customs simplification bill won't be voted. It's an old, old issue. Congress is in no mood to vote it when worry over imports is rising.

•

Stiffer penalties for antitrust violation are no certainty this year. The House has voted the Celler bill, upping fines from $5,000 to $50,000. But thus far the Senate has scheduled no hearings.

Standby controls over wages and prices have only a slender chance. The trouble is in the House, which is anti-control. The most to expect is a bill that would permit a "national emergency freeze" only after the House and Senate O.K.'d plans submitted by the President.

•

Relief from "nuisance" taxes isn't in the picture. The big push has been for relief for the movies. But backers know such legislation would merely become a vehicle for other excise cuts. So the issue will be dropped.

Tax revision hearings will start June 16. But there's no prospect for legislative action on such things as depreciation and the double taxation of dividends this year. The drive for a bill will come in 1954.

More liberal depreciation allowances will be the result of the policy statement just issued by the Bureau of Internal Revenue. Business still won't have a free hand in determining write-offs. But it will have more freedom than under past policy (page 28).

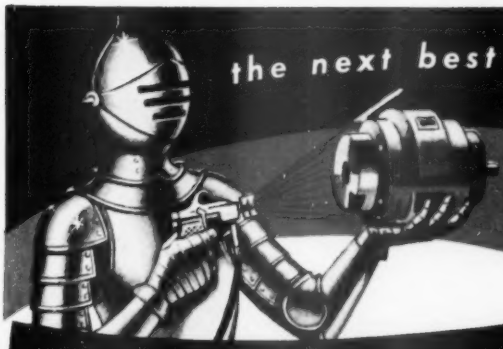
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Washington is still cheerful about the business outlook. The expectation is for an easing off in the last half of the year from the lofty levels of recent months. But this is not supposed to be serious.

Complaints that money is too tight are coming in. They usually are coupled with requests that the Administration let up a little on credit limitations. The official line still is that inflation remains alive—more of a danger than deflation. But a few cracks are beginning to show in this front. Some officials are afraid inflation will be fought too long.

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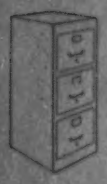
Steelcote Stainless Steel Coating may be brushed, dipped or sprayed; dries quickly to a semi-gloss, neutral finish, similar in appearance to unpolished stainless steel. Does not discolor or tarnish like aluminum.

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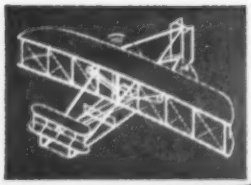
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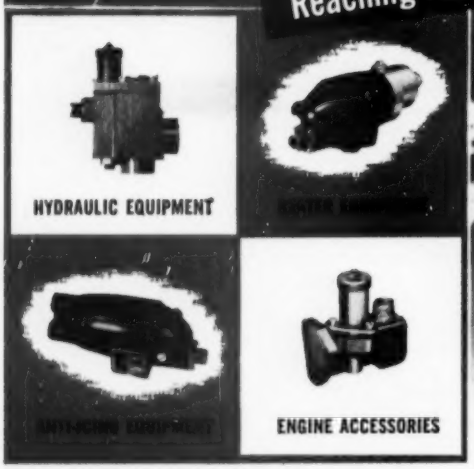
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HYDRAULICS • LINE SUPPORTS • DIESEL ENGINES • PROCESS MACHINERY • OIL BURNERS • CASTINGS & FORGINGS • PIPE FITTINGS

The 20 Biggest Retailers: The 1952 Score

		Sales in Fiscal Year (000 omitted)			% Change	
		1939	1951	1952	'39-'52	'51-'52
1	Great Atlantic & Pacific Tea	$990,358	$3,392,541	$3,500,000 (#)	258.0% (#)	5.0% (#)
2	Sears, Roebuck	617,414	2,657,408	2,932,338	374.9	10.3
3	Safeway Stores	385,882	1,454,643	1,639,095	324.8	12.7
4	Montgomery Ward	474,882	1,106,157	1,084,586	128.4	— 2.0
5	J. C. Penney	282,134	1,035,202	1,079,257	282.5	4.3
6	Kroger	243,357	997,086	1,051,850	332.2	5.5
7	F. W. Woolworth	318,840	684,180	712,655	123.5	4.2
8	American Stores	114,824	510,451	531,000 (E)	362.4	4.0
9	Allied Stores	112,122	476,693	501,841	347.6	5.3
10	Federated Dept. Stores	110,114	408,844	447,862	306.7	9.5
11	May Dept. Stores	103,905	424,991	447,548	330.7	5.3
12	First National Stores	131,041	406,773	425,000 (E)	224.3	4.5
13	National Tea	56,824	361,321	405,221	613.1	12.1
14	R. H. Macy*	130,434	342,349	332,146	154.6	— 3.0
15	S. S. Kresge	153,911	310,978	326,418	112.1	5.0
16	Food Fair Stores	24,499	259,591	293,000 (E)	1,096.0	12.9
17	Gimbel Bros.	92,231	298,522	291,679	216.2	— 2.3
18	W. T. Grant	103,762	268,333	283,240	173.0	5.6
19	City Stores	41,451	219,243	232,432	460.7	6.0
20	Jewel Tea	24,782	209,244	226,292	813.1	8.1

E Store's own estimate *53 weeks # Business Week estimate

They Kept Climbing—But in Low Gear

But for one significant difference, the 1952 score sheet above looks much like the tally for the year before (BW—May24'52,p40). The names on the list are about the same, and in about the same order. And there's the same big crop of new sales records.

The one difference: In 1951 sales by and large climbed fast. In 1952 they labored upward slowly.

• **Placers**—There's one newcomer to the list—Jewel Tea Co., which nosed out Marshall Field & Co. for 20th place. Aside from that, there are few changes from 1951's tally. Great Atlantic & Pacific Tea Co. held its top position, though no official figures are yet available to confirm this. In fact, among the top 10, the only change was that Federated Department Stores, Inc., replaced May Department Stores Co. in the No. 10 spot. Food Fair Stores, Inc., once again claimed the record for the biggest jump, from 18th to 16th place. Kroger Co. joined the billion-dollar club for the first time.

• **Slow Climb**—Most of the big retailers registered new sales records last year. But—with a few exceptions—these gains came slow and hard.

Not one of the top 20 retailers reported a sales increase of as much as 14% during fiscal 1952. During 1951 four stores (Food Fair, Safeway Stores, Inc., Kroger, and National Tea Co.) pulled up 14% or more; two of them—Food Fair and Safeway—registered gains of over 20%. The best any of them could do in 1952 was a score of 12.9% reported by Food Fair. Only four of the 20 could boast as much as a 10% gain.

At the low end of the list, the slow-up resulted in actual sales dips for two big department stores—R. H. Macy & Co. and Gimbel Bros., Inc. Montgomery Ward & Co., the only one that had shown a sales dip in 1951, repeated its drop-off last year.

• **Brake**—Price was clearly one of the chief reasons for this tendency to move more slowly. Since sales are figured on dollar volume, it follows that—up to a certain point—sales are generally higher when prices are higher. In 1952 prices as a whole climbed much more slowly than in 1951.

The over-all price index last year inched up from a monthly average of 111.0 in 1951 to 113.5 (1947-1949 equals 100). The food price index went from 112.6 to 114.6. That was nowhere near so bold a jump as food prices registered between 1950 and 1951, when they hopped from 101.2 to 112.6.

The apparel price index actually took a slide last year. As against a jump from 98.1 to 106.9 in 1951, the 1952 index dropped to 105.8.

• **Contestants**—These figures help explain why once again the food stores made the best record. Together, the eight food chains on the list pulled up 6.3% above 1951 sales. People are still apparently eager to eat while their pockets are full.

The figures also help explain what happened to Macy's and Gimbels. Soft goods such as apparel have never fully recovered from the beating they took at the hands of their old adversary, hard goods, in the battle for the consumer's dollar. At least one department store economist, however, feels the department stores have hit close to bottom in this struggle, that the upturn for them is not too far away.

The variety stores more or less followed the pattern of the whole list. The average 4.7% gain of F. W. Woolworth Co., S. S. Kresge Co., and W. T. Grant Co. was better than the department stores' 3.8% batting average, but it was nothing like the 7.2% gain the varieties showed for 1951.

• **Expansion**—Beside price, the main boost in sales came from expansion. In food stores, of course, this meant more

CAN YOU SPOT THE 90¢ DIFFERENCE ?

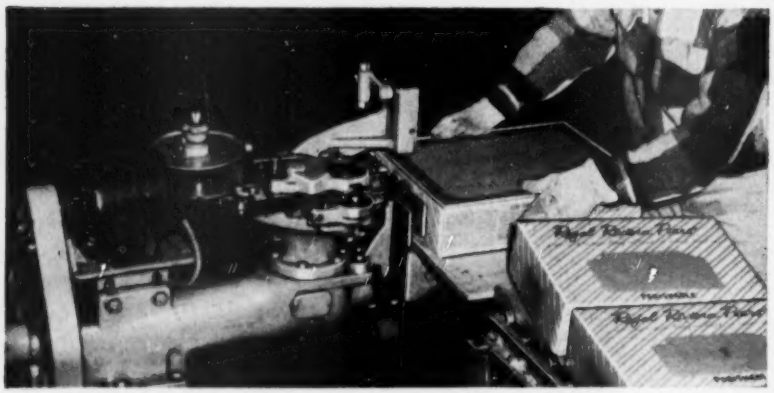


The two boxes are almost identical. One is tied with wire. The other shows how Bostitch field men can cut costs—the lid of the box is fastened to the bottom with just *four* wire staples.

By switching to Bostitch, this fruit packer was able to save 90c out of every dollar formerly spent for wire.

And that's not all. The packer further reports that his boxes look better, stack better, travel better. His shipping-room employees are a lot happier. And his customers say the boxes are easier to open and the fruit is less likely to be bruised.

Whatever business you're in, whatever your present method for closing cartons or fastening materials, you'll do well to check into the services Bostitch offers. You'll be surprised how many different fastening jobs Bostitch can help you with.



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BOSTITCH, 445 Mechanic Street, Westerly, R. I.
Please send me a free copy of your bulletin on Bostitch stapling machines for shipping-room use.
I am particularly interested in a better and faster method for:

☐ Assembling cartons ☐ Sealing corrugated wrappers ☐ Covering barrels
☐ Bottoming ☐ Repairing cartons for re-use ☐ Tagging
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fastens it better, AND FASTER with wire

ALL TYPES OF MACHINES FOR APPLYING STAPLES
ALL TYPES OF STAPLES APPLIED BY MACHINES

". . . 'We're getting somewhere near normal again,' one official explained . . ."

BIGGEST RETAILERS starts on p. 41

outlets, and—perhaps more important—bigger outlets. A good bit of Food Fair's gains, for example, came from its steady pursuit of new markets. It opened 14 new stores during the year, closed two small ones. According to a survey by Super Market Merchandising, new supers increased the total number by 6.2% last year.

Expansion was the key to increases in other than food lines. Sears, Roebuck & Co. credits much of its sizable 10% sales gain to its postwar development program. Sears didn't open many new stores last year; high taxes curtailed its plans. But the new stores it had opened in previous years are beginning to pay big sales dividends. On the other hand, Montgomery Ward, which has held its postwar expansion down tight, registered a sales decline.

The addition of strong units similarly explains the progress of those department stores that showed above-average gains. Thus, Federated could count in 11 months of its big Abraham & Straus branch at Hempstead, N. Y., plus a couple of Fedway stores, and a full year of Sanger's. City Stores Co. had a year's ownership of Lansburgh Bros.

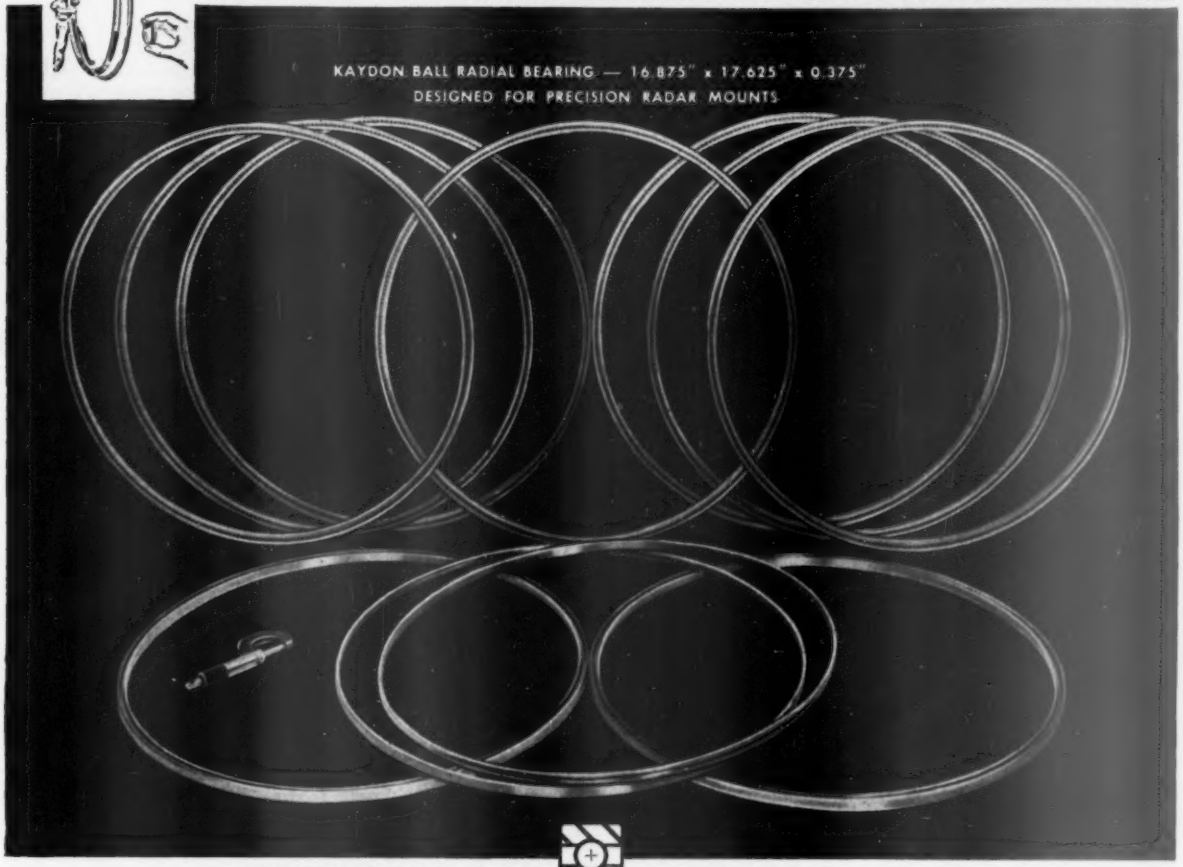
In these days of the hard sell, two big gainers—Sears and National Tea—cite a third reason for better-than-average sales jumps: aggressive merchandising.

• **Profits**—Even though gains were lighter in 1952, retailers aren't pining much. The table does not show one crucial difference between 1952 and 1951: the much more widespread growth in profits last year. At least 14 out of the 20—including Macy's and Gimbels—reported improved net income after taxes. Ironically, Marshall Field, which bowed out to Jewel Tea (thanks partly to the fact that the food store fiscal year ran 53 weeks), suffered a smaller sales loss than either Macy's or Gimbels—less than 1%. The big Chicago retailer also showed a good gain in net income.

Stores credit some of their better profit showing to better control of costs and a tightening up of operations. But for the department stores—all of which registered gains in net income—the main boost came from this: The near-fatal markdowns of 1951, which ate so heavily into profits, were much less in evidence during 1952. The stacked-up inventories that followed the post-Korea buying spree were worn down. "We're getting somewhere near normal again," one store official explained.

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ACTUAL SECTION: ONLY 3/16" x 3/16" NET WEIGHT: 2 Pounds

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Precision miracles in extremely large bearings of unusually thin section have become routine achievements at KAYDON. In addition to unique thinness that conserves space and weight, other outstanding features have been embodied in many special KAYDON bearings ... for instance: Flame hardened bearing races drilled, tapped and gear-cut by the KAYDON process eliminate costly auxiliary parts, help improve machine design and performance, and make possible more compact, lighter machines of greater capacity.

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Short-Term Market Pays Off

P. R. Mallory, up to this time a components supplier only, is making converters that will enable owners of current TV models to receive both UHF and VHF programs.

Television has been responsible for a lot of changes in a lot of businesses, but it took ultrahigh frequency (UHF) telecasting to jar P. R. Mallory & Co. out of its traditional role of being only a components supplier. For the first time in its history, Mallory is in the market with a consumer product—but its new venture probably won't last more than two years.

For years, Mallory has supplied capacitors, jacks and plugs, resistors, rheostats, and similar items to the radio and TV industry. Its products are used by practically every major manufacturer in the field, and by radio and TV service men as well.

However, most of the 20-million-odd TV sets now in operation can't receive programs telecast by the new UHF stations. Their reception is limited to very high frequency (VHF) channels. But these sets can be converted to receive both VHF and UHF. And Mallory has gone into the business of making the converters.

• **Crossroads**—It took a lot of soul-searching before Mallory broke with tradition and made a converter under its own brand name. As Harold C. Buell, vice-president in charge of sales, put it: "We have always been scrupulous about avoiding competition with our customers." More than that, consumer product selling entailed an entirely new type of marketing operation.

Before the decision was final, its officers consulted with customer TV manufacturers. Amazingly, there not only was no objection; the TV people endorsed the idea. They didn't want to go into the business themselves. That would entail engineering, tooling, and establishing production lines to fill a relatively short-lived demand; when existing sets are converted, sales will end. Moreover, since the converter is of no use by itself, but can be used only with a TV set, the manufacturers were not concerned that Mallory would become an active, permanent competitor.

• **Sales Setup**—Then came the question as to how to market the converters. Mallory decided to use its existing setup of 600 distributors, whose principal business is supplying replacement parts used by radio and TV service men. While sales last, this will give the distributors an extra source of income and profit. And it will help the service men, too, for in many instances set owners will turn to them when they want their TV sets adjusted to receive UHF.

"We were aware we might sell more converters through other distribution channels," said Buell; "but we looked at the long-range picture and decided to stick by the people who would be our sales outlets for years to come."

• **Progress**—First announcement that Mallory would make its own brand-name converter was issued to the trade early in July, 1951, just a couple of months after top management had decided to take the big step. The first converters, turned out on pilot lines, were shipped in April, 1952.

Last September, when the first new UHF broadcasting station went on the air in Portland, Ore., orders began to pour in. By that time the company had production lines going. From September to March, 1953, sales increased 18-fold—and Mallory's current backlog of orders is equivalent to its total production to date.

Currently, more than 1,000 workers, mostly women, are employed on the assembly lines—turning out Mallory brand-name converters plus some under other brand names for concerns like Sears, Roebuck & Co., Arvin Industries, Inc., and Sylvania Electric Products, Inc.

• **Five-Star Deal**—Mallory officials see these advantages to the company in the converter operations:

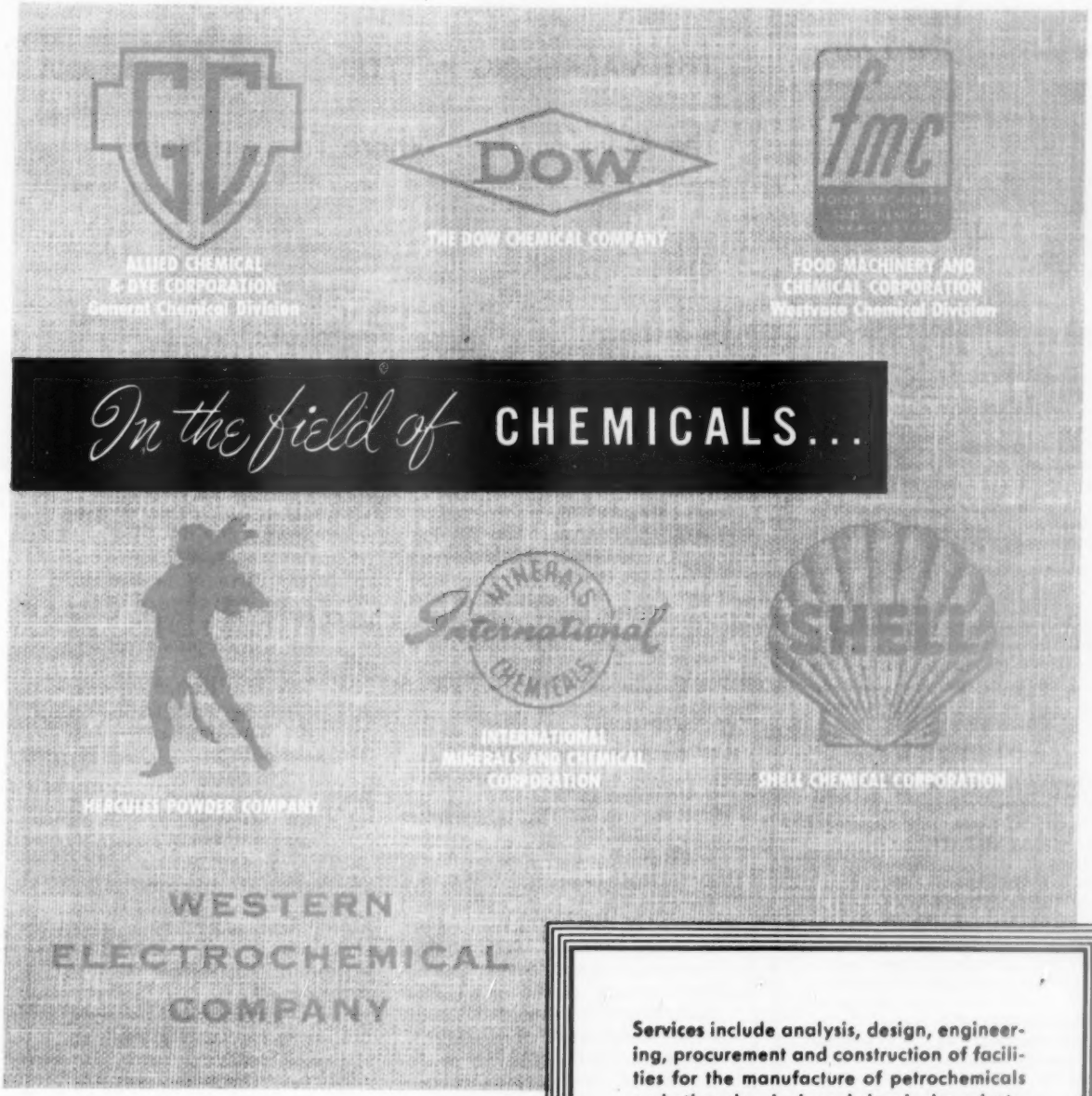
With all the facilities, equipment, sources of supply, and know-how required to manufacture converters, the company can make a good thing out of it saleswise and earningswise for a couple of years.

It will help build goodwill among distributors and service men—a big factor because of the expected growth in the market for replacement parts as TV sets now in the hands of the public grow older.

It will get the Mallory name before the public and thus favorably influence component sales to TV set makers. Mallory has not been a major supplier of TV tuners, feels public acceptance of its converters will help improve its industry position in this category.

By its approach to the whole subject of converters, Mallory feels the industry is assured the converters are not being used as a stepping stone to its permanent entry into the consumer market.

Finally, in the words of sales chief Buell, it will "educate a lot of people to the fact we make electrical and electronic equipment, not hats."



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- Soda ash
- Sodium sulfonate
- Styrene
- Zirconium chloride

(Advertisement)

You Listen, You Learn



by Mort Singer
KIPLINGER STAFF EDITOR

You should have heard this retailer light into me. "Why should Kiplinger give away trade secrets? Why tell people about plans to cut prices and unload inventories? People only put off buying when they hear these things." And this merchant wasn't just blowing off steam. He really wanted to know.

I listened and remembered. I remembered the union leader who took us to task for sizing up wage demands months early. This was no run-of-the-mill union official. He was a high muckamuck in union circles. He charged that we were tipping off management on wage demands; that we were on the employer's side.

I listened and remembered. I remembered the government official who jumped us for predicting the onset of full-scale controls long before January 1951. The people should be kept in the dark "until we're ready to tell them," he argued.

What is the answer to this retailer, this union man, this government authority? Simply that we at Kiplinger's do a plain, old-fashioned reporting job. If we stop to wonder too often about what we should or shouldn't report, about whether someone's feelings might be hurt, or whether it's safe to print this-or-that, we may as well close up shop. We work on the assumption that people want facts and that they'll know what to do about them, once they get them right side up.

It isn't often I get a chance to sound off like this (and on the boss's time too) so I'll say just one more thing, then I'll get back to the listening post at Kiplinger's. From the reporter's viewpoint, this new government set-up in Washington is a bonanza. New facts. New ideas, whether you agree with them or not. New philosophy, new tactics, new moves and countermoves. Like watching a baby learn to walk. And brother, does it have a lot to learn! Whichever side you were on last November, it's a fascinating story, this story of new leadership. We'll be telling you more about it.

The Kiplinger Washington Letter is just about the most practical investment a businessman can make. $18 a year (almost invariably a tax-deductible business expense); on your desk every Monday morning.

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THE MARKETING PATTERN

The Mass Market: Where To from Here?

THE MASSIVE KUZNETS STUDY of income distribution (page 56) holds the greatest of significance for marketing men.

In simple terms, what Kuznets is showing is that the rich no longer get so big a slice of the national income pie as they once got. This, he points out, has had important repercussions in the areas of investment and risk capital.

The marketing man, viewing the matter from the other side of the table, is apt to see another consequence of this major shift in income distribution.

What he sees is the development of America's remarkable mass market for consumer goods, surely one of the most arresting facts of the whole turbulent decade from 1940 to 1950. The meaning of what happened in those years can be grasped quickly in two sets of figures. Kuznets shows that:

In 1939 the richest 5% of the people took home 22.7% of the total income. In 1948 they took home only 15.1%.

If the top 5% had maintained their 1939 share of the pie, their take-home pay (after taxes) would be around $56-billion. Actually, the figure is closer to $37-billion.

This, of course, puts the matter in its crudest terms. Still, $19-billion or so spread around among other income groups meant that marketing men could sell more food, appliances, houses, clothes. For the rich—no matter how much money they have—can eat only so much food, wear so many clothes, drive so many cars. The U.S. economy has been made prosperous by the wants of the many, not the few.

THE CURIOUS FACT is that despite the cries of the pessimists that a great era was ending, the market for luxury goods didn't collapse. We did not sink into a gray age of uniformity and shoddy mediocrity—at least insofar as goods were concerned.

Of course, it is true that the private market for steam yachts, Rembrandts, and other of the most conspicuous of conspicuously consumed goods pretty much fell on its face. But against that, the market for sterling silver, small pleasure boats, European sports cars, mink coats, travel, and other private preserves of the earlier tycoons got bigger than anyone had ever dared hope.

The shift in income distribution democratized the market, broadened its base.

THIS HAS GREAT PORTENT for the future.

True, Kuznets shows that the trend in favor of the lower-income groups and to the disadvantage of the upper groups has halted. Or at least, the process seems to have slowed down.

But the important thing is that the basic pattern of income distribution has been changed permanently. It can never shift back very far toward the old prewar pattern, with its narrow base.

We have thus created a permanent and strong underpinning for prosperity. Mass purchasing power should remain high.

ONE WEAKNESS does exist, however. Marketing men should note it carefully. It lies in the very fact that the shift in income distribution has slowed down.

When people's incomes are upgraded, their buying habits change. They upgrade their living. They buy consumer goods that were out of their reach, or that they considered unnecessary, before—steaks, refrigerators, better cars, more expensive clothes.

The figures show the story. According to Electrical Merchandising, a McGraw-Hill publication, in 1939 consumers bought 1.9-million refrigerators, as against 3.5-million in 1952; 1.4-million washing machines, as against 3.2-million last year.

When this upgrading process is going on continually—as has been the case in the past decade—it means that the market for a huge group of consumer products is expanding continually. When the process slows down, expansion of the market slows down with it.

That is exactly what's happening now. It raises the problem of saturation in many older markets. It means, also, that marketing men must take into account a stabilizing of buying habits.



TWO COLOGNES with a single name are the center of a legal hassle, as the original German "4711" (left) reenters competition with domestic "4711" (right).

Second Battle of the Scents

U. S. company acquired trade name of the cologne from the Alien Property Custodian two years ago; but it did not acquire formulas by which German product is made.

When two brands of cologne with identical names appear on the market, something's got to give. Early this year, an imported "4711" cologne (above, left) went on sale in the U.S. Makers of a domestic cologne (above, right), also called "4711," wasted little time in taking legal action.

• **Two Scents**—The domestic cologne is made by 4711 Ltd., a U.S. company that acquired the trademark "4711" from the Alien Property Custodian two years ago.

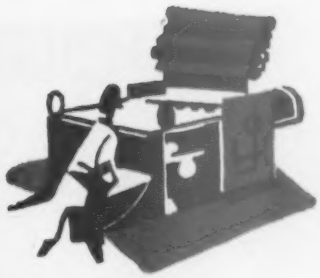
The import is made by the originator of the trademark, the House of 4711, of Cologne, Germany. Alien Property had seized the House of 4711's U.S. sales agency during World War II. The seizure included, in addition to other properties, the 4711 trademark. But it did not include the 150-year-old secret formulas by which the German product was made.

• **Legal?**—When the German 4711 made its reentry into the U.S. last winter, the legal poser arose: Can the trademark for a long-known product made by secret formula be seized and later sold without the secret formula? And if the new owner uses the trademark to identify a similar product made by a different formula, is it deceiving the public?

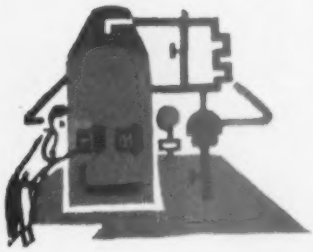
The present U.S. owner of the trademark, 4711 Ltd., acts pretty sure of its ground. Not long after the first post-war shipment of reborn German 4711 came into this country, 4711 Ltd.'s president, John A. Roosevelt (youngest son of Franklin D. Roosevelt) asked the Treasury Dept. to halt further importations. The Treasury did so, using its powers under the tariff and trademark law. Colonia, Inc., the present sales agency for the German House of 4711, with the stock from the one shipment on its shelves, took no counteraction.

Then Roosevelt instructed his lawyers to start proceedings against sellers and distributors of the German 4711. To date, no such action has been filed, but 4711 Ltd. has filed what amounts to a slander charge against the Pope Publishing Corp. for running an advertisement for the German-made 4711. The ad, which ran in Pope's Beauty Fashion magazine, presented the German cologne as the original and genuine 4711 and marked others as masquerading imitations. This case is just getting under way in a New York court, but even after the filing of charges, Colonia, Inc., displayed confidence by again running the controversial ad May 1, in Fairchild Publications, Inc.'s Women's Wear Daily.

Colonia's confidence—which is matched by 4711 Ltd.'s confidence—is expressed by its legal counsel, Katz & Sommerich, which is also Pope Publishing's counsel in the current slander suit and went through this same trade-



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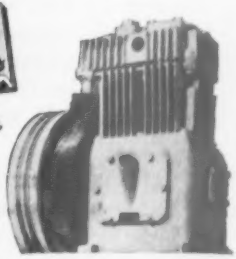
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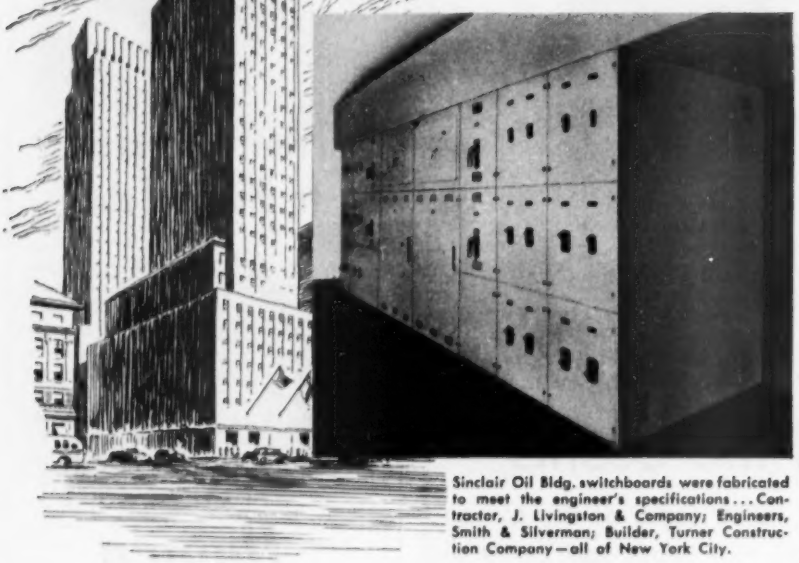
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". . . the German company kept the chemical combination under its hat . . ."

COLOGNE starts on p. 47

mark-secret formula muddle after World War I. It came out on top, and as it considers the present situation pretty much the same, it expects to again. Roosevelt and his lawyers don't think it's the same case at all. Either way, they agree, the seeds of the squabble go back many more years than the average litigation in this country.

• **Secret Formula**—It starts 160 years ago in Cologne, Germany. A family living on a street named Glockengasse started making fine toilet water. Two years later, in 1794, Cologne fell to the advancing French revolutionary armies, and in order to organize the city for occupational purposes, the French commander dispatched soldiers to chalk street numbers on the previously unmarked houses. The family found its house on Glockengasse marked 4711, and applied the numbers to its bottles.

4711 Eau de Cologne grew in tradition throughout the 19th century. It was particularly popular in the United States, where Mulhens & Kropff, Inc., imported and distributed the German product. Then came World War I. In 1918 Mulhens & Kropff was seized by the Alien Property Custodian.

After the war, in 1920, the vested property was offered for sale by the government. It was bought by a descendant of the original Kropff, who retained the firm name, Mulhens & Kropff, Inc. Kropff, however, had difficulties. He was unable to obtain the essences—made by secret formula—from which the 4711 Eau de Cologne had long been made. The German company, then as now, kept the chemical combination under its hat.

Kropff was not dismayed. He made his own version of 4711 and sold it to American women already familiar with the name. But in 1925 the German-made 4711 came back on the U. S. market. It was distributed here through a newly formed agency, Ferd. Mulhens, Inc.

• **First Round**—Ferd. Mulhens, selling the import, and Mulhens & Kropff, selling the domestic, came to legal grips in 1930, and the decision of a circuit court was to the benefit of Ferd. Mulhens. The court did not contest Mulhens & Kropff's rights to the trademark, but it did find that the U. S. company would have to identify the origin of its 4711 cologne, not pass it off as being made under the original secret formula, which it did not possess.

Muhlens & Kropff decided business

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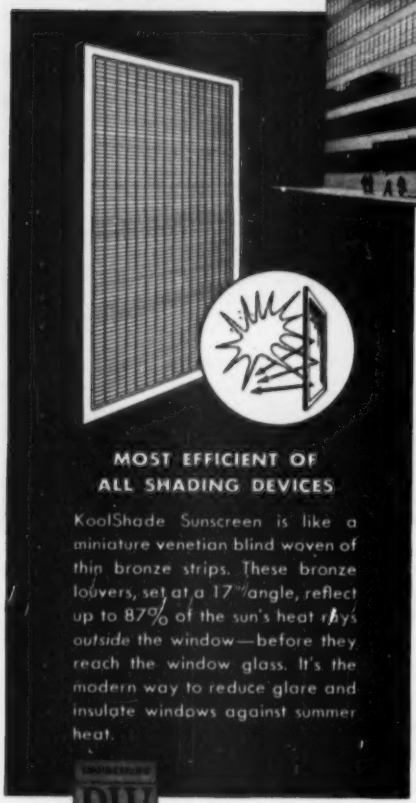
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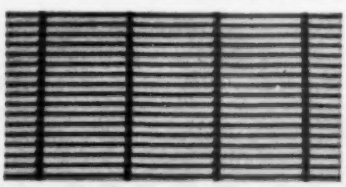
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The new Chicago general offices of Florsheim Shoe Company presented an unusual air conditioning problem. Despite zone control, when the open office area was pleasantly cool, private offices along exposed-to-the-sun outside walls were uncomfortably warm. If the private office temperature was lowered, then the general office area became too cold for comfort.

To solve this problem, Florsheim installed KoolShade sunscreen on the east, south and west windows. The sun's heat rays were effectively blocked out. The peak load demand on the air conditioning system was lowered 35 tons. Operating costs were reduced 20%. And *all* the offices were pleasantly comfortable.

Even without air conditioning, KoolShade keeps rooms up to 15° cooler by blocking up to 87% of the sun's heat rays. Shuts out glare—admits light and air. Effectively screens out insects.

Designed, engineered, and made only by Borg-Warner's Ingersoll Products Division, KoolShade is ideal for factories, offices, public buildings, hospitals, schools and homes. For full details address Ingersoll Products Division, Borg-Warner Corporation, Dept. KS-22, 310 S. Michigan Ave., Chicago 4, Ill.



Actual size section of Ingersoll KoolShade Sunscreen showing spacing of louvers and verticals.

would be tough using an apology on its label, and in a settlement in 1931 the company became absorbed by Ferd. Mulhens. Legal counsel for Ferd. Mulhens through all of this was Katz & Sommerich.

• **New Punch**—Ferd. Mulhens imported and sold 4711 during the 1930s, but when war with Germany came again in 1941, the old trouble came too. In 1942 the Alien Property Custodian seized the right, title, and interest of Ferd. Mulhens.

For a few years during and after the war, Ferd. Mulhens was operated for Alien Property by some of its old people. Unable to obtain the secret essences, they, in turn, started to sell a domestic concoction. Business, however, was not very good. Then, in 1951, the government put Ferd. Mulhens on the block. It was bought by Raymond E. Lee and John Roosevelt. Lee, president of Lee Pharmacal Co. (Softset hair spray, and other products), became chairman of the board of the acquired company; Roosevelt became president. After a few months they changed its name to 4711 Ltd., although much of its Ferd. Mulhens labeled stock is still on the market (picture, page 47).

The 4711 Ltd. point of view is that the current clash of colognes is not just a rehash of the 1930 case, that subsequent events make it a different situation. But for the present, Roosevelt and Lee seem to be going no further than their successful halting of imports and the legal action against Pope Publishing.

Collier's Goes Biweekly In Circulation Battle

Collier's magazine, for years a weekly, will turn into a biweekly with its Aug. 7 issue. The new Collier's, said president Clarence E. Stouch of Crowell-Collier Publishing Co., will have at least 112 pages—against an average 72 pages for the first quarter this year. He added that for the last quarter of 1953 it will boost its circulation guarantee from 3.1-million to 3.5-million, with no rise in rates for that quarter.

The move is one more indication of the competitive battle the magazines are facing (BW—Jul.12'52,p38). Collier's officials admitted that the publication lost money last year. They count on the second week's reading time to help combat the inroads of television. They pointed out that Look, another biweekly, gains from 30% to 35% of its newsstand sales during its second week.

The bulk of the new editorial space will be turned over to fiction, especially serials, aimed at women.



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DOES your paperwork crawl? Where there is endless typing of endless pages of endless forms—with errors to look for, errors to correct, messy carbon paper to handle, many copies to be made—the whole business tempo crawls. It's a sign that the Paperwork Pirate, symbol of clerical waste, is slowing down your operation.

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No other business machine does so many things so well as the Multigraph Duplicator. It will duplicate right in your office most of the things you have done on the outside... at a tremendous saving; office forms, catalogs, illustrated literature, bulletins, sales letters. It can save in so many other ways that it will pay you to lift your telephone right now and call your local Multigraph office or write Addressograph-Multigraph Corporation, Cleveland 17, Ohio—Production Machines for Business Records.

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an ideal material for cabinets!



A variety of desirable characteristics have built a demand for Koppers Polystyrene as a material for radio cabinets and cases. Its light weight has made it particularly suitable for portable radios.

In addition to light weight, the ability to remain unaffected by the constant heat of a radio in operation is absolutely necessary. Heat stability of Koppers Polystyrene Type 8 is more than sufficient to satisfy this requirement. Strength, ease and speed of molding, dimensional stability for perfect mating of sections, and low cost are other characteristics of Koppers Polystyrene which make it a favorite material with manufacturers and molders.

Customers are attracted to radio cabinets of pleasing colors made possible by the use of Koppers Polystyrene. Manufacturers and molders have found that Koppers has eliminated the risk of visual variations in color. Koppers method of Color Matching and Control assures adherence to color specifications within exacting tolerances unsurpassed in the industry.

Write today for information about the suitability of Koppers Polystyrene for your product. A Koppers representative will be happy to call and discuss your specific product needs.

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Retailers Worry...

. . . about returns

Detroit retailers have always had a reputation for extremely liberal exchange practices. But when last year's returns reached 14% of sales—40% above the national average—members of the Retail Merchants Assn. decided it was time to tighten up.

This week, in 400 Detroit stores, customers who seek sales adjustments will find that:

• Merchandise for exchange, credit, or refund must be returned within 10 days of the purchase date.

• To get prompt credit, exchange, or refund, it will be necessary to present sales slips or cash register receipts with the merchandise. Established rules governing returned goods—no returns of sanitary articles, clothing that has been worn next to the skin, clothing that has been worn out of the store, merchandise that has been altered—remain in force.

The returns in Detroit have piled up to a startling volume. In 1952 eight major stores handled $53-million worth of refund, exchange, or credit merchandise. This figure exceeded the total annual sales of the big Nieman-Marcus store in Dallas, and nearly exceeded the volume of New York's famed Lord & Taylor.

. . . about bad checks

During 1952, a flood of bad checks plagued Los Angeles merchants. One department store alone averaged 250 checks daily returned from the clearinghouse. Some were the result of carelessness. Others were forgeries. City-wide losses, at yearend, hovered around 1% of gross operating costs, an 83% jump over 1951.

This year merchants and police expect a decided drop in forgeries. In particular they're counting on two recent measures designed to break the well-organized, bogus-check gangs. The first was the seizure in Los Angeles of a complete printing press, mounted in a trailer for quick escapes.

The press turned out not only payroll checks, but also phony Social Security cards, driver's licenses, and other means of identification presented to cashiers by the gang's "paper hangers" immediately after their assumed company's payday.

The other development was the decision of the Los Angeles County district attorney to toughen up the charges against suspected forgers. He has added an additional charge in prosecutions: conspiracy to commit forgery. This is aimed at the ringleaders rather than the "paperers."



I saved 70¢ - but look what I got!

This buyer might give himself an "A" for effort, but that's all! Seventy cents saved per valve would have been worth while if—if it hadn't been just a "price tag value."

Today's high maintenance labor rates make it an especially bad time to take chances with valve quality. Rather, it's a time to insist on greater assurance of dependability and proper selection. That is still the only way to protect effectively against valve trouble and high piping cost.

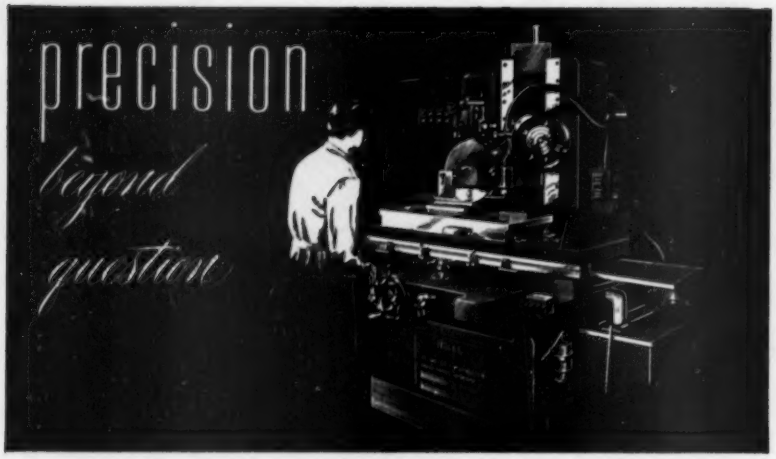
That's why Crane Quality means more today than ever before to thrifty buyers in every industry. It stands for value that translates into longer life with less maintenance, and with lower ultimate cost assured. And Crane offers this quality in the most complete selection of valves and fittings for all piping systems.

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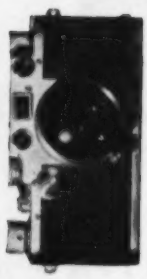
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Flowers and Love . . .



. . . Bloom in Manhattan

Long ago, the Montagues and the Capulets, the Hatfields and the McCoys, and Jack Benny and Fred Allen discovered that the public loves a feud—whether it's real or put-on. Macy's and Gimbels, neighboring New York department stores, have always basked in this same type of feud publicity. So it was a bit of a shock when Gimbels last week ran a newspaper ad (top) inviting the public to a giant flower show—at Macy's, and Macy's replied in kind (below).

The show took up 80,000 sq. ft. of Macy's selling space, ran six days. There were over 2-million blooms on display, including 260 dogwood trees and 2,500 orchids. It took 90 trucks to deliver the flowers, 100 people to arrange and care for them. Estimated crowd: 1½-million New Yorkers, about twice as large as anticipated.

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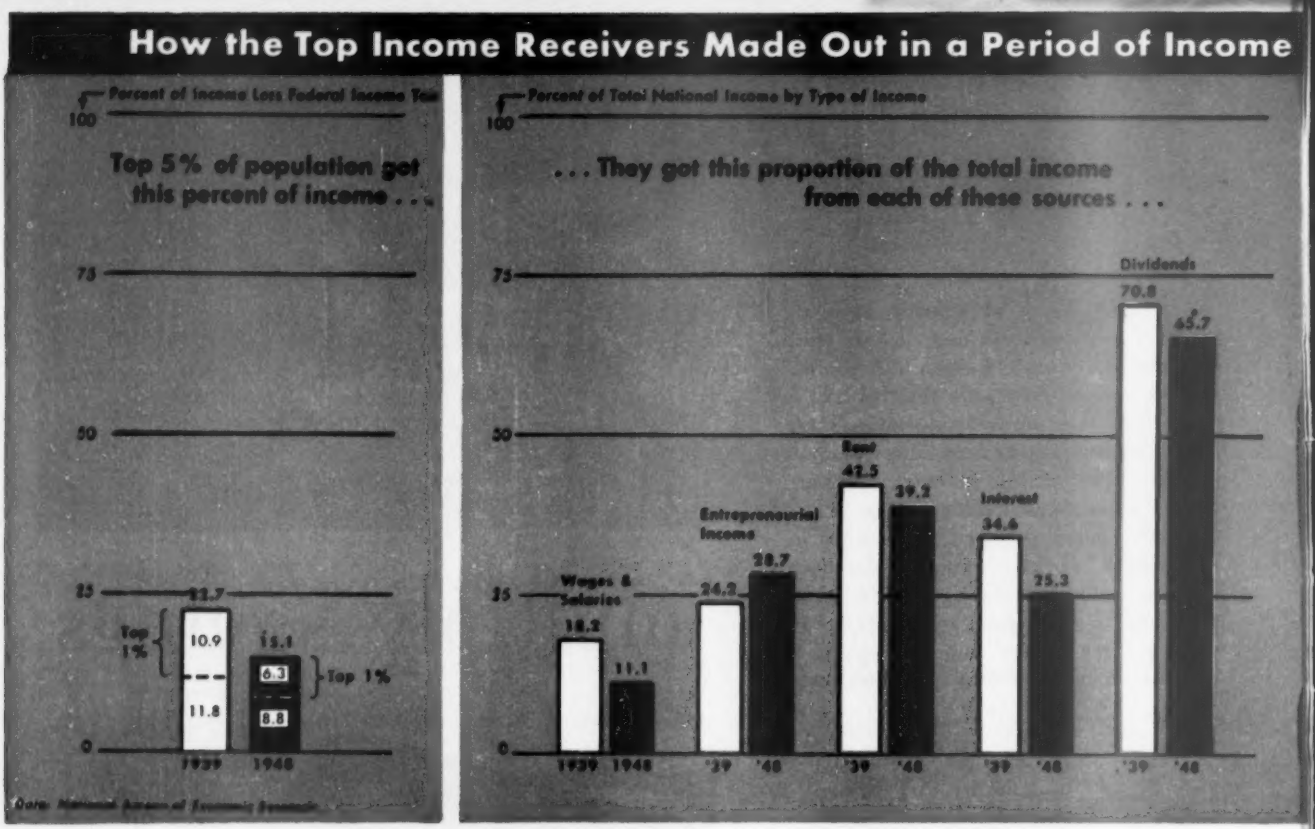


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The Top 5%: Their Share of U.S. Income

Chances are that total income will never be divided equally among all people. But in the past few years the U.S. has come about as close to it as economists think is possible under a free-enterprise system.

That's the picture you can draw from a study by Dr. Simon Kuznets of the top 5% of the population who get the most income. Kuznets' monumental 768-page work (Shares of Upper Income Groups in Income and Savings, $9) has just been published by the National Bureau of Economic Research.

According to Kuznets, the share of total U.S. income going to the upper income groups began to shrink in the late 1920s. World War II hastened the process of redistribution (BW—Jun.2'51,p38). By 1944 the top 5% of the population were getting only 13.3% of annual income after taxes, instead of the 22.7% it received in 1939. It bounced back a little after the war to go to 15.1% in 1948—but that was still a one-third drop in 10 years. Since 1948 the figure has held fairly steady.

In the top 1% of the population there has been an even more drastic shift. In 1939 this uppercrust received 10.9% of all income. In 1948 its share had dropped to 6.3%, a fall of more than two-fifths.

• **Analysis**—Kuznets dissects the various forms of income, showing the percentages of each type that go to the top groups, and analyzing the ratio of each type in the total income of the top groups (charts, above).

The figures reveal sharp differences between the top groups and the rest of the population. Two-thirds of all dividends go to the top 5%. And salaries and wages make up only about half of the income for the top 5%; for the top 1% they are only a third.

• **Divergences**—Kuznets dips into sociology to reveal other differences between top groups and the rest. The average person in the top 5% has many sharp differences from the average of the rest of the population: He lives in different regions, and different-size cities, works for different industries and in different capacities; he also differs in education, and in the size of his family.

The shrinking of the slice of the national pie enjoyed by this sharply differentiated top 5% has not been due to any absolute decline in its own status, but rather to the rapid gains of the rest of the population. Thus in the late 1930s, unemployment was pushing toward 10-million. Most of those people have since been put to work, and that fact alone accounts for a quarter of the gain in the share of income going to the bottom 95%. Improving farm income helped to the tune of another one-sixth.

The progressive income tax was another leveling factor, but not to the extent that most people imagine. It is true that high, almost confiscatory, taxes in the upper income range have speeded redistribution. But pre-tax income has followed the same pattern as after-tax, though moving more slowly.

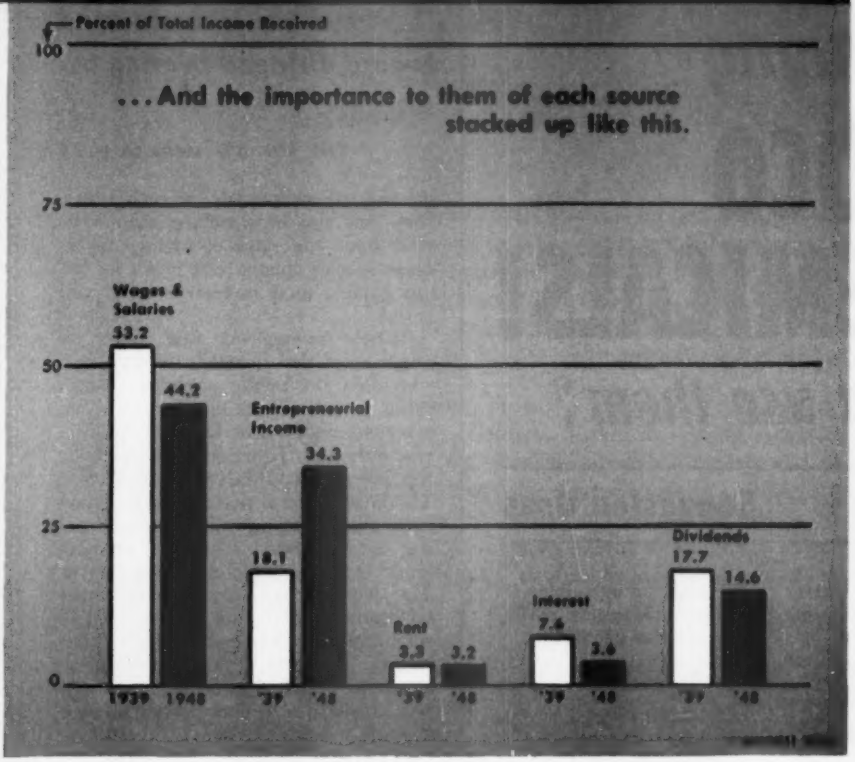
• **Who Are the Wealthy?**—Since Kuznets is working with per capita figures, the size of a family makes a lot of difference in whether it falls into the upper brackets. In 1948 a family of three with a collective income of $6,963 qualified for the top 5%. It took a bit more doing to get in the top 1%: Lowest qualifying score for a family of three was $16,548. That minimum figure is misleading because incomes rise so fast at the top. Average in the top 1% for a family of three was $34,689.

For the population as a whole, the 1948 average for a family of three was $4,143—about one-eighth of the top 1% average. But in 1939 the top 1% averaged 12 times as much as the general mean.

• **Where Do They Get It?**—In the top 5%, the share of income from wages and salaries has been shrinking. In 1939 53% of the total came from payrolls; in 1948 it was down to 44%.

Rents, interest, and dividends have

Leveling



Has Shrunk

also declined in relative importance. But entrepreneurial income has almost doubled since 1939, going from 18% clear up to 34% in 1948.

Postwar inflation was a big factor in the changes in the composition of income. It has chopped down fixed incomes; controls reduced the relative importance of rent. Meanwhile, price rises brought a period of unprecedented business opportunity, pushing the entrepreneur to new importance. In the upper level, the rentier, the coupon clipper, and the corporate officer have had to make room for the not-so-small businessman.

Indeed, as the bottom 95% carved itself an increasing share of total income, the top 5% lost out in almost every form of income except entrepreneurial. Share of the top 5% in wages and salaries dropped from 18% in 1939 to 11% in 1948. In rents, the drop was from 42% to 39%; interest went from 35% to 25%, dividends from 71% to 66%. And the dividends were largely limited to the top 1%, who get half of all payments to stockholders.

• **Where They Work**—The largest part of the top income group works in manufacturing. Basing his findings on 1947-1949 Census figures, Kuznets breaks down the vocations of the top 5.7% of income receivers. Manufacturing accounts for 22%, retail trade 16%, agriculture, forestry, and fishing 12%, professions 10%. No other single type of employment accounts for a large percentage. Only 4% of the large incomes went to government workers.

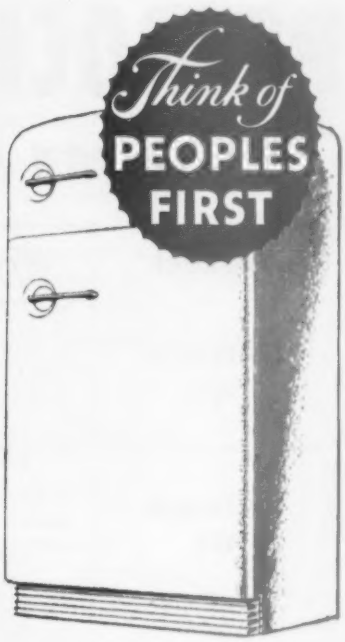
• **Where They Live**—In all parts of the country, the large cities have a bigger proportionate share of the top incomes than other areas. Of the top 5.8% of incomes, just under half went to big city dwellers; but only 30% of the population as a whole lived in the big cities. In the biggest cities, those of over 1.5-million, the ratio for the upper group is just about double that for the whole population—one-tenth of all people, and one-fifth of the top group.

The income share of these largely urban top groups moves counter-cyclically. They get their biggest share of income in times when things are tough for the population as a whole. Their share hits bottom in periods of boom.

This factor can have special significance toward the end of a boom. The top 5% normally does more than half of all savings. It also provides most funds for equity and venture capital. So the relative shrinking of its share of income may dry up the sources of new capital just when it is most needed.

Kuznets' figures indicate that the lower income groups can hold their gains only while times remain good. A depression cuts their income far more than it does at the upper level. Still, though the top incomes may be

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Sunaptic Acids	High mol. wt. naphthenic acids, with unusually low percentage of unsaponifiables.	Driers, emulsifying and flotation agents. Used in preparation of esters, plasticizers and preservatives.
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". . . the top incomes tend toward dividend-bearing assets . . ."

THE TOP 5% starts on p. 56

gaining proportionately in such times, they may also be shrinking absolutely. And since the ratio of savings to income doesn't change very much for the top groups, their investable funds will shrink.

• **Who's Saving?**—At first glance it might seem that it makes no difference who does the saving provided enough funds are set aside to take care of all investment needs. But Kuznets' findings raise a doubt. His report shows that the top 5% get two-thirds of all dividends. The implication is that the upper group invests its money in different ways from the lower group. The top incomes tend toward dividend-bearing assets. The lower group leans toward interest-bearing assets and investment in small business. Since shifts in the business cycle change the proportionate income share of the top group, they may also change the proportions of savings going into different types of investment. And that, in turn, may have a bearing on the length and depth of the next cycle.

• **Disposable**—You can surmise how important the shifts of income might be by applying the rates to current income. To be sure, the Commerce Dept.'s figures for disposable income can't be compared exactly to Kuznet's figures—there are differences of technical formulation and definition. Still, the comparison can give a reasonable approximation.

Disposable income is now running at an annual rate of about $245-billion. The share of the top 5% would be about $56-billion, if they were still getting the 22.7% that they did in 1939. But their share would be only $37-billion at the 1948 rate of 15.1%—and there is no indication that the rate has changed much since then.

That allows for a $19-billion swing in purchasing power between the top 5% and the bottom 95%. Because the two groups have different saving and spending habits, this could mean a marked difference in the nation's marketing and investment structure. Without the swing, today's consumer goods boom might never have reached the heights it has.

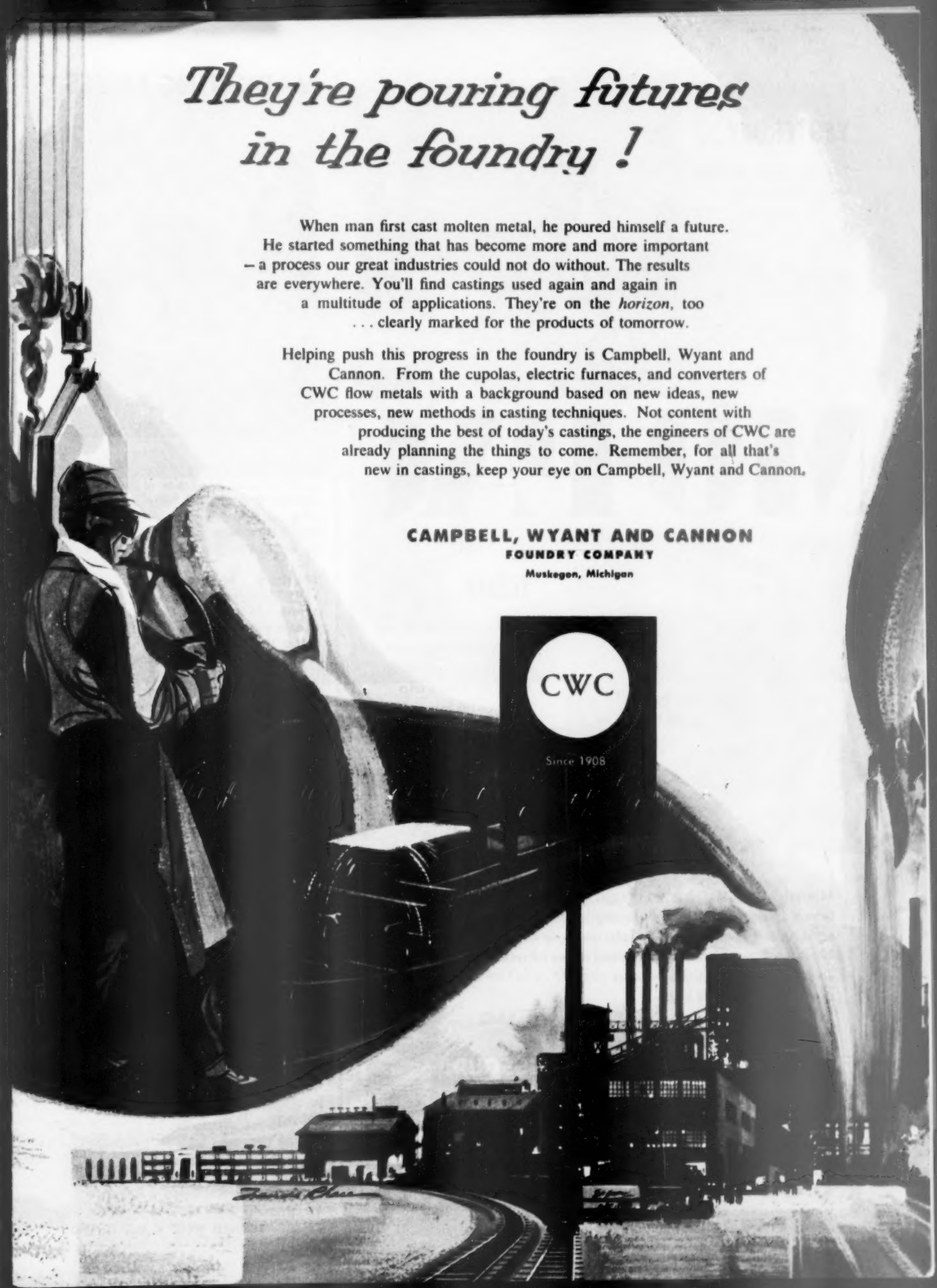
Of course, every economist would like to figure out how the distribution of income affects the business cycle. But Kuznets, for one, has been unable to find out. His figures show what is happening to the high income groups, but he has not been able to deduce the answer from what facts are available.

They're pouring futures in the foundry!

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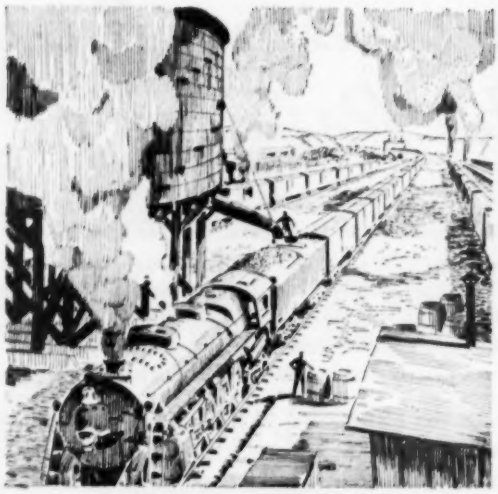
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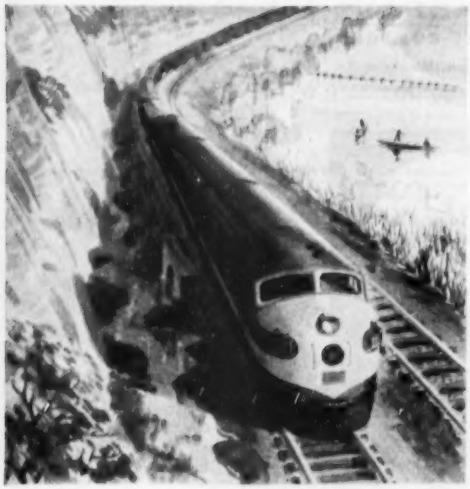


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MISSOURI PACIFIC LINES

ROUTE OF THE EAGLES

MARKETING BRIEFS



Tie-in with Father's Day is Barker Greeting Card Co.'s way of capitalizing on the tie and card boom that inevitably accompanies that occasion. The card, complete with polka-dot bow tie, retails for $1.25.

•

Television broadcasting pulled in $336.3-million in estimated revenues during 1952, Federal Communications Commission reports. That's 42.7% better than they did in 1951. Radio networks and stations had a bigger total—$473.1-million—but only a 5% gain over the preceding year. Profitwise (before federal income tax) TV did better, too; it had a 31% gain against radio's 8.9%.

•

Turnover rate for major appliances at the dealer level reached the four-year high of 4.4 last year, says National Appliance & Radio-TV Dealers Assn. In 1951 they turned over their stock only 3.3 times; in 1950, 4.3 times; in 1949, 3.8 times.

•

Inhibiting grass growth with maleic hydrazide may allow homeowners more time for more pleasurable tasks, but, according to the U.S. Golf Assn., the chemical will severely injure and discolor the turf, and often turns good plots to crabgrass.

•

No third, cheap line of tires is in the offing. Firestone has officially denied the rumors. This doesn't rule out the eventual possibility, however, that it will bring out a low-price line to compete with the mail-order houses. But not now. With a big sales season in sight, passenger tire inventories are at an historic high. They were 13.4-million Apr. 1 as against an average of 10-million or 11-million on that date prewar.



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Four specially designed C/R oil seals, with Sirvene synthetic rubber sealing members, are used to protect Mercury's "Full Jeweled Power"* at these strategic points: On the main crankshaft bearings; at the top and bottom of the power head; at the bottom of the drive shaft to protect the drive shaft bearings; and between the gear and pump on the propeller shaft.

This is another example of the leaders looking to the leader, for research, engineering and manufacture of the highest type. If you have a particularly tough lubricant sealing or dirt exclusion problem, put it up to Chicago Rawhide engineers.

C/R, the most widely used oil seals, are stocked in over 1,800 sizes covering 16 different types for immediate delivery. Our free handbook, "Engineering with C/R Oil Seals" belongs in your files. Allow us to send it to you.

**Ball and Roller Bearings throughout.*

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1231 Elston Avenue **OIL SEAL DIVISION** Chicago 22, Illinois

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75 C/R

PERFECT
Oil Seals

Locomotives: Changes Have Come, More Are in the Works

	Where Does It Stand	Costs: Initial and Operating	Advantages	Disadvantages
1860-1940 Steam	Coal roads are still sticking to coal, although steam is nearly dead. Norfolk & Western is the only road that is 100% steam.	The road must sometimes make its own replacement parts, which is costly. Reason: Manufacturers have either cut output, or gone out of business.	Cheap fuel from a good railroad customer.	Needs servicing after short runs.
1906-35 Electric	Electrification had brief spurts in 1906 and 1933, on a few roads. But it has been held back mostly because...	First costs are high. Years ago, the trick was to convert when prices were right. Pennsylvania RR, for example, switched part of its road when copper prices were at rock bottom.	Economical for high-density traffic, freight or passenger, and in mountainous areas.	
1938 to date Diesel	Its features have lured most of the industry over to its side. Since the war, about 90% of the roads have dieselized.	Rule of thumb, an engine costs about $100 per hp. Maintenance is low; manufacturers handle some of it.	Long hauls are the diesel's claim to fame. On many roads, an engine can make a complete round trip and more before servicing.	Its starting torque isn't so good as that of steam. Too, some roads can't get enough heat in winter for long passenger trains, supplement with a steam engine.
1952 Gas Turbine	This innovation might be limited, like electrification. Only one road, Union Pacific, has warmed up to it, and given an order to General Electric.	First costs are a bit higher than diesels. More road time will tell whether operating costs are competitive.	Fuel availability in the West and Southwest has an edge on coal, for the future.	Must be carefully adjusted for the grade and quality of fuel that it burns.
1953 Steam-Turbine Electric	Norfolk & Western is slated to put its new locomotive into service in June or July. Coal, of course, is traditional with this road. But the locomotive might mark a transition back to coal, industrywide.	The price hasn't yet been tallied. There are indications that the engine will use less fuel, give more power than diesel or steam.	Gets fuel from a good railroad customer. Coal may turn out to be the cheapest, most plentiful fuel in the long run... after oil is depleted.	Unknown.
? Coal-Turbine Electric	Coal as a direct fuel is still for the future. But the coal-burning turbine is the engine that will do the job, if it proves practical.	Unknown.	The power that it gets from coal might be higher.	The fuel, though, must be pulverized which jacks up the operating costs.

From Coal to Diesel—and Back Again

In the past decade, the railroad industry has shifted almost completely from coal to diesel oil as its prime fuel. Nearly 90% of U.S. roads today are running on diesel power.

But in another 10 years, the industry may do an about-face and move back toward coal. Why? The industry sees two reasons:

• It seems likely that coal may turn out to be cheaper, in the long run, than oil. The domestic petroleum supply is limited; coal resources are not. Many railroads own coal fields that may be cheap sources of fuel in the future.

• Technological developments are leading to new, more efficient ways of using coal as fuel.

• **Cycle**—The chart above tells where this cycle started and where it's going.

First there was the conventional steam engine. Coal was burned under a boiler to create steam; the steam drove the locomotive's wheels by cylinders and pistons.

Then, after brief tinkering with electrification, there came the diesel engine. In the diesel system, oil is used as fuel in an engine much like that of an automobile. This engine runs a generator; the electric power turns the wheels.

Next came the oil-burning gas turbine—an intermediate step between the diesel and the return to coal. In this engine, oil is used as fuel to drive a turbine much like that of a jet airplane. (It's called a "gas" turbine because power comes from hot, expanding gases generated by combustion of the

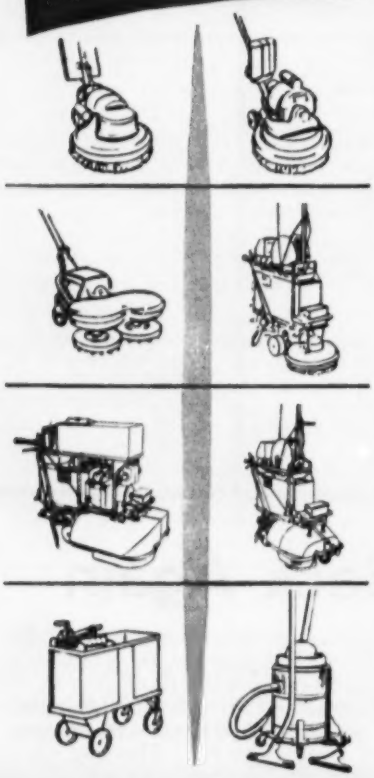
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oil.) The turbine drives a generator, which supplies electric power. Union Pacific RR (BW—Jan.10'53,p41) started this ball rolling when it ordered 25 gas turbine models from General Electric Co. at a total cost of $14-million.

• **Last Steps**—Now there's the steam turbine—a second intermediate step. This engine uses coal to create steam, which powers a turbine, which runs a generator. It's in the stage of practical operation. Within a month or two, Norfolk & Western Ry. Co. will put a steam turbine locomotive on the rails. N&W's engine has a rated horsepower of 4,500, is designed for freight service. The operating efficiency N&W says it will get would have been only a dream back in the heyday of the conventional steam locomotive.

All that's left now is the last step—the coal-burning gas turbine, which some industry people think may be the last word in railroad engines. American Locomotive Co., Schenectady, N. Y., is experimenting with the coal turbine idea right now. In this engine, the fuel is powdered coal—much more volatile than lump coal. It burns quickly, like gasoline. The expanding gases drive a turbine that's hooked up to a generator—as in the oil-burning gas turbine.

• **Monster**—This last step is still in experimental stages. The step before it, however, is already a reality.

When Norfolk & Western's steam turbine model leaves the shops this summer, it'll be the biggest locomotive ever built in one unit. Its total length from the cowcatcher to the coupler at the end of the tender measures a little over 161 ft. The locomotive alone is a shade over 111 ft.

From the outside, the locomotive looks like a highly streamlined steamer. But inside, there isn't a single reciprocating (piston-and-rod) part in the whole works. A specially designed coal-fed boiler, made by Babcock & Wilcox Co., feeds very high-pressure steam to the turbine. That runs two electric generators powering 12 motors, one mounted on each axle of the locomotive. Westinghouse Electric Corp. built the engine and its accessories. Baldwin Locomotive Works designed the rest, has been responsible for the final construction.

The payoff for N&W is a locomotive that will leave the road's other reciprocating steamers in the dust, costwise. N&W says that its new job will cut the fuel bill in half compared to the conventional type. There are also a few extras thrown in: quick starting torque, light loading on the axles, and less wear on some of the parts.

• **Pitfalls**—By contrast, the coal-burning gas turbine hasn't yet racked up enough of the facts and figures that measure an engine's performance. American Locomotive engineers who are working on

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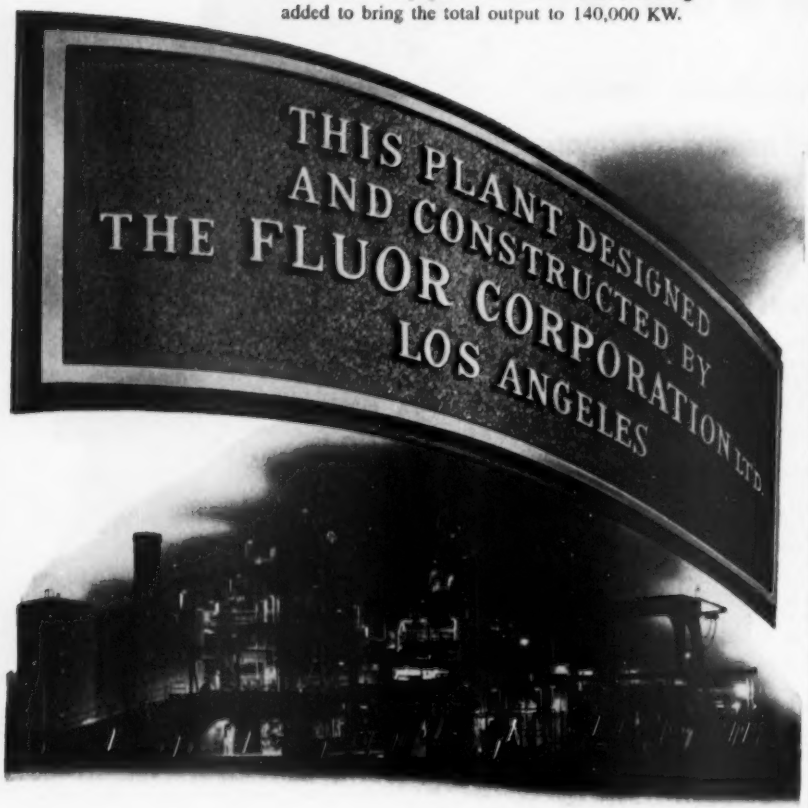
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HIGHGROVE, CALIFORNIA. California Electric Power Company's new, modern 60,000 KW steam-electric generating plant now in commercial operation here was designed, engineered and constructed by The Fluor Corporation, Ltd. Many design innovations make this plant one of the most unique in existence. Except for the control rooms and switch gear the plant is completely outdoors and was planned for operation with an absolute minimum of attending personnel. The entire job was completed in advance of the originally scheduled operating date notwithstanding the extreme difficulty of obtaining some items of material and equipment. Additional units are being added to bring the total output to 140,000 KW.



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the project are satisfied with powdered coal as a form of fuel. It can run a turbine that develops about 4,250 hp.

But the fuel has had one prime drawback: After it burns into useful heat energy, it leaves a destructive impurity called flyash. Blasting through the engine, the ash hits against the turbine wheel, wears down its parts, and consequently shortens the service life of the engine. Right now, Alco engineers are smoothing out the bugs in a mechanical separator that removes the flyash before the fuel gets to the turbine's combustion chamber.

Too, the coal fed to the turbine is a run-of-the-mine grade, a kind that a buyer gets on the commercial market. The coal sometimes contains junk such as rocks and metal scrap. This has caused engine troubles and shutdowns for repairs. So if the turbine ever reaches the rails, the supplier—the railroad itself, or a mine operator—must carefully screen the coal before delivery.

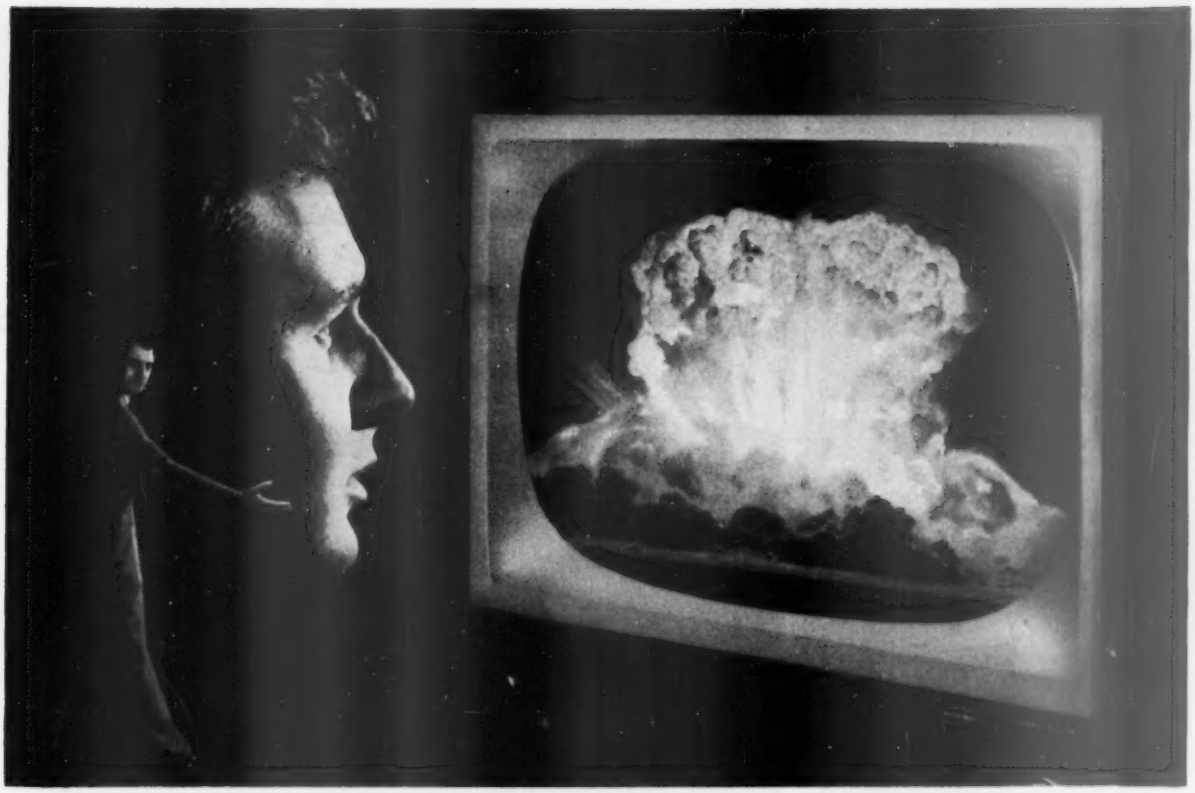
• **Competitive Stand**—Many railroaders feel that a turbine locomotive—either N&W's or a straight coal turbine—will match the efficiency of a diesel, or save a few dollars. But its advantages, they readily admit, will never be so great as those of the diesel engine over the old steam reciprocating.

"Consequently, our competitive position is a tough one," says Walter J. Tuohy, president of Chesapeake & Ohio Ry. "The one thing in our favor is the anticipated trend in fuel costs. A shift to higher costs for oil and lower costs for coal would make our hopeful coal-burning turbine locomotive extremely attractive and assure its large-scale use when its development is completed."

• **Long Haul**—Even the railroads that own coal fields, though, aren't exactly on easy street. If they adopt the coal turbine, they'll have to make an about-face in the treatment and handling of the fuel. In the past few years, the big coal companies have been changing their thinking about the technology of coal. They expect the fuel to be a fluid instead of a bulk product in future uses. Someday, coal may be pulverized at the mine and piped to the end market.

So, technically, the railroads must also keep in step if they want to use coal as a competitive fuel. That means they will need more modern processing and handling equipment. The initial costs for this conversion will naturally be high. But the modernization, in the long run, is going to cut coal's cost and help cover the tab for the new machinery.

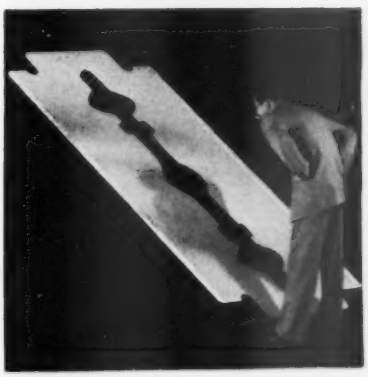
At least there's one advantage: Coal sources for most roads will be closer to the delivery points than oil resources. Transportation charges for coal ought to be lower than present ones for diesel fuel.



UNCONTROLLED BURSTS OF ENERGY mean trouble—even inside your television set. For instance: when you turn your set on, the initial surge of electricity—if not arrested—will sometimes cause a tube failure. Numerous television set manufacturers use GLOBAR® Ceramic Resistors in the tube heater circuits to limit such surges—protecting the tubes, thus prolonging their useful life. CARBORUNDUM makes five types of ceramic resistors, covering the full range of wanted characteristics, used widely in electrical and electronic circuits.

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PROGRESS has caught up with the old wooden caboose. New all-steel models (left) are a

Making Over Railroaders'



NEW-STYLE BAY WINDOWS give better view of the train than . . .



STREAMLINED steel car has clean look, modern fittings while . . .



lot safer and more comfortable than the old caboose above.

Little Red Caboose

(Story continues on page 70)



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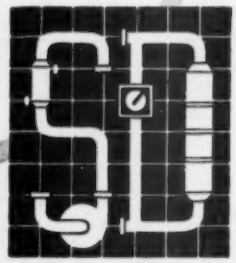
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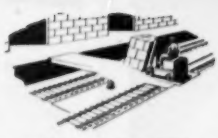
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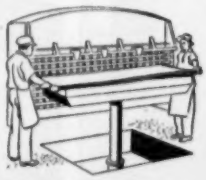
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". . . for nearly 100 years, the caboose remained unchanged . . ."

CABOOSE starts on p. 68

The little red caboose with its characteristic cupola is disappearing from the nation's rail lines. The familiar wooden model is giving way to an all-steel job with bay windows (pictures, page 68).

Most railroaders are enthusiastic about the change. They feel it's about time something was done to modernize the train crew's office and second home. For nearly 100 years, the caboose has remained unchanged while one by one every other piece of rolling stock (page 63) has had its face lifted.

• **All-Purpose Car**—From the 1850s, when the western roads built the first models—simple boxcars with windows cut in the sides and doors in the ends—the caboose has been headquarters for the train crew (conductor, flagman, brakeman). It's the place where the conductor fills out his "wheel reports," covering the origin, destination, and contents of every car on the train.

On longer runs, it's another home. Veteran crews are assigned the same caboose over long periods and take care of it like their own property. There's a stove for preparing meals, bunks for sleeping, and storage compartments for flags, lanterns, tools and personal belongings.

The caboose is also the place where the train crew keeps an eye out for trouble along the train and the tracks. In the old days the watching was done from the cupola, but this was sometimes dangerous. There was always the possibility of slipping or being thrown down by a sudden start or stop. There was also a fire hazard from oil from the lamps stored in the wooden car.

• **Modern Touch**—The new cabooses, with their bay windows, are a lot safer and far more comfortable. The first of the new type was introduced in 1930 by the Baltimore & Ohio RR. But timing was wrong for the new model to catch on at that time, depression closely followed by war forced the roads to concentrate on revenue-producing equipment.

Since the end of World War II, though, more and more lines are adopting them. Typical of the new models are those used by the New York Central (pictures). There are five big features that make them popular:

• Removing the cupola has made it possible for designers to knock out some of the partitions that were necessary to support the lookout box. This makes the caboose roomier, easier to clean and move around in.

• All-steel construction, with an

I-beam and crash plate, offer greater protection when cars couple together or in case of a crash.

• Furnishings have a modern touch. A white porcelain sink replaces the hard-to-clean metal one, seats are cushioned with sponge rubber and are reversible like seats in passenger cars, a refrigerator provides shelf space and ice storage, stoves are larger, and tables fold into the walls.

• Eight windows instead of three on a side give more light and a better view of the whole train, especially on curves. The side view eliminates the problem you had with the cupola of a blocked view due to higher freight cars.

• Windows are equipped with easy-sliding aluminum frames and built-in screens. This is a big improvement, because previously railroaders had to pull the old cabooses out of service every spring to insert screens.

PRODUCTION BRIEFS

Crude oil pipeline, dedicated this week at Colorado City, Tex., has largest diameter (26 in.) of any line in North America. It's owned by five major oil companies and has a capacity of 440,000 bbl. per day. The line will carry crude 466 mi. from the rich Permian fields in West Texas to Nederland, Texas, on the Gulf near Port Arthur.

•

Uranium hunters have taken to the air in Arizona. Field geologists, working for Atomic Energy Commission, have already staked out nearly 3,000 sq. mi. in Coconino County. Light aircraft carry devices that can detect radiation from as high as 100 ft.

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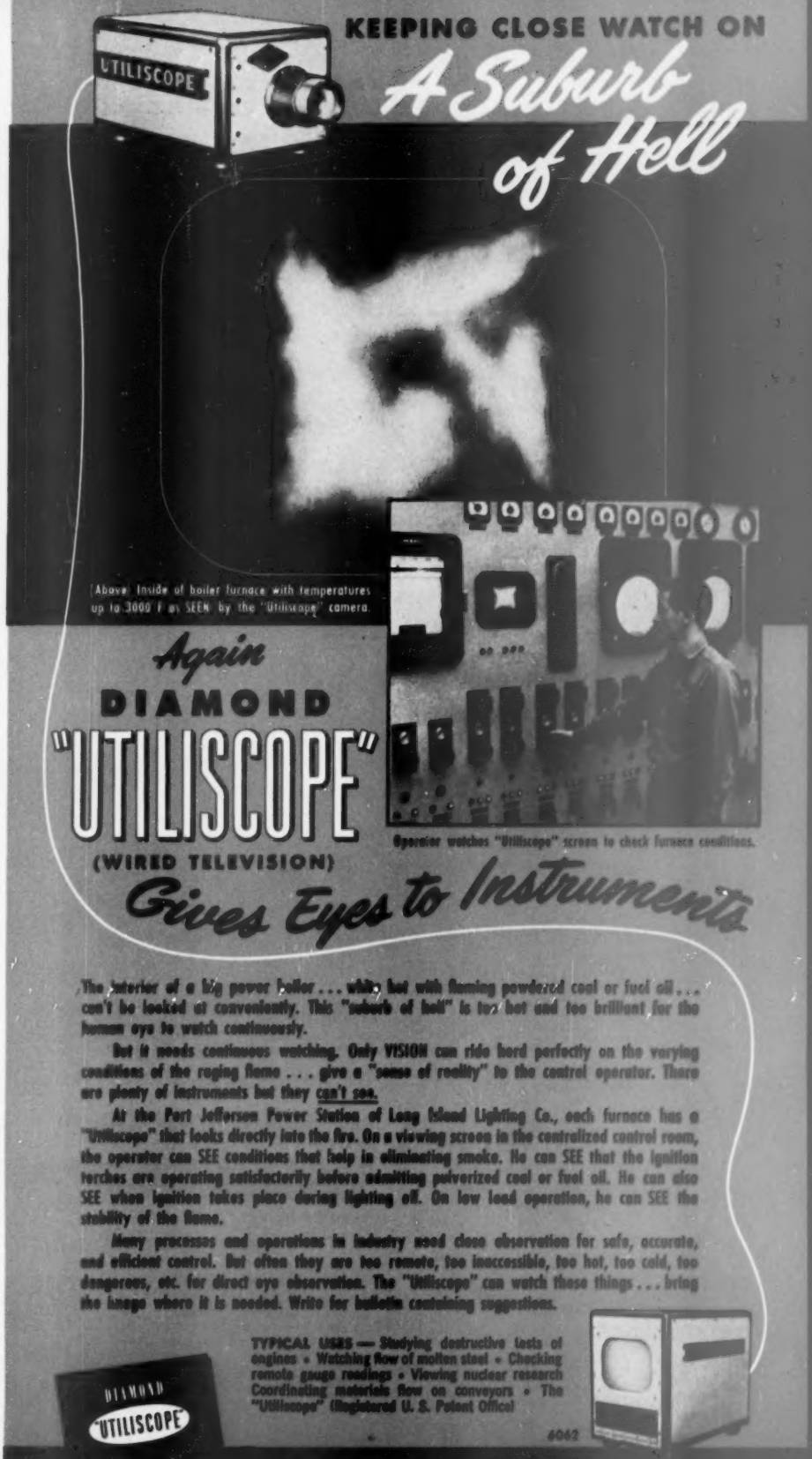
Ford Motor Co. has unveiled its dream car: a hardtop convertible sedan called the Syrtis. It features an all-steel top that lowers electrically under the rear deck lid, yet leaves ample luggage space in the rear compartment.

•

Eastman Kodak Co. announced that it is beginning imports of two inexpensive (under $10) Brownie cameras from its English factory. The move is being made to meet record demands for low-priced cameras while Kodak production capacity in this country is fully utilized for other items.

•

Imported copper from rich mines in Northern Rhodesia may be the next metal to flood the U.S. market. The British government announced this week that it will drop tight import and distribution controls in August. When similar controls were dropped on lead last year and zinc early this year, large surplus holdings were released and world prices dropped sharply.



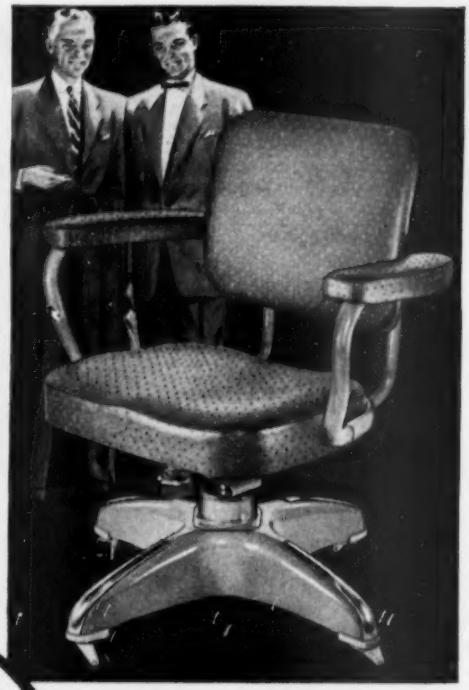


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says J. R. Buckman, Reservation Manager of Trans World Airlines

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NEW PRODUCTS

Grows Roots Fast

The latest gimmick to make life easier for the weekend gardener is a root-growing kit featuring sheets of Vinylite plastic film on which plant food and protective chemicals have been coated. The idea is to take a tree or shrub branch, force it to grow a root structure, and then plant it to form a new tree.

The treated plastic, called Airwrap, was developed by Agri-Plast Corp. of Sarasota, Fla. To use it you strip a ring of bark off the branch that is to become a new tree, and rub the bared ring with Airwrap. The coating on the plastic provides hormones, vitamins, nutrients, trace elements, insecticide, fungicide, and other agents.

Then cover the ring with a damp moss (included in the kit) and fasten the moss in place with a piece of treated film. Since the covering is semi-transparent, it admits light to promote rapid but even root-growth. The plastic holds in moisture, keeps the rooting section warm.

The respiratory gases, oxygen and carbon dioxide, circulate through the wrapping. Nourishing and protective elements are slowly absorbed. When the root system is satisfactorily developed (you can see it through the plastic), cut the branch away from its parent tree and plant it.

• *Source: Agri-Plast Corp., P.O. Box 142, Sarasota, Fla.*

• *Price: $1.95.*

Diamond Wheels

A new method for bonding diamonds in the wheels used to grind carbide tools has been announced by Ohio Metal Working Products Co. The bonding process, developed by Belgian Tool Co., electrolytically deposits a dense nickel bond around each diamond particle.

The manufacturer says that the new bond holds diamonds more firmly in place than conventional sintered diamond wheels do and that they're less likely to break out on impact. The nonporous nickel bonding material is also said to prevent wheels from loading with ground particles.

The new method concentrates the diamonds on the outer face of the wheel, where the grinding is done. Beside improving the wheel's grinding capacity, this concentrated layer of diamonds protects the wheel, makes it less likely to be damaged by gouging and careless handling.

Grinding costs, the company says, are greatly reduced because the new

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Magnesium has made portability more than just a word. Lightweight castings, extrusions and sheet have cut important pounds off a wide range of tools. One fourth the weight of iron, Magnesium brings real savings in manpower and reduces worker fatigue. Yet Magnesium provides the strength and durability that is a must in portable equipment.

If you are buying portable tools for your needs, look for the brands that are made of Magnesium. You'll find they give that lightweight factor that helps cut costs.

If you manufacture equipment that must be moved, investigate Magnesium. Write us for further information on this versatile product. THE DOW CHEMICAL COMPANY, *Magnesium Department*, Midland, Michigan.

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How Honeywell Customized Temperature Control helps promote

a $40 million annual business!

Specially designed systems help make new Chicago shopping center one of nation's finest

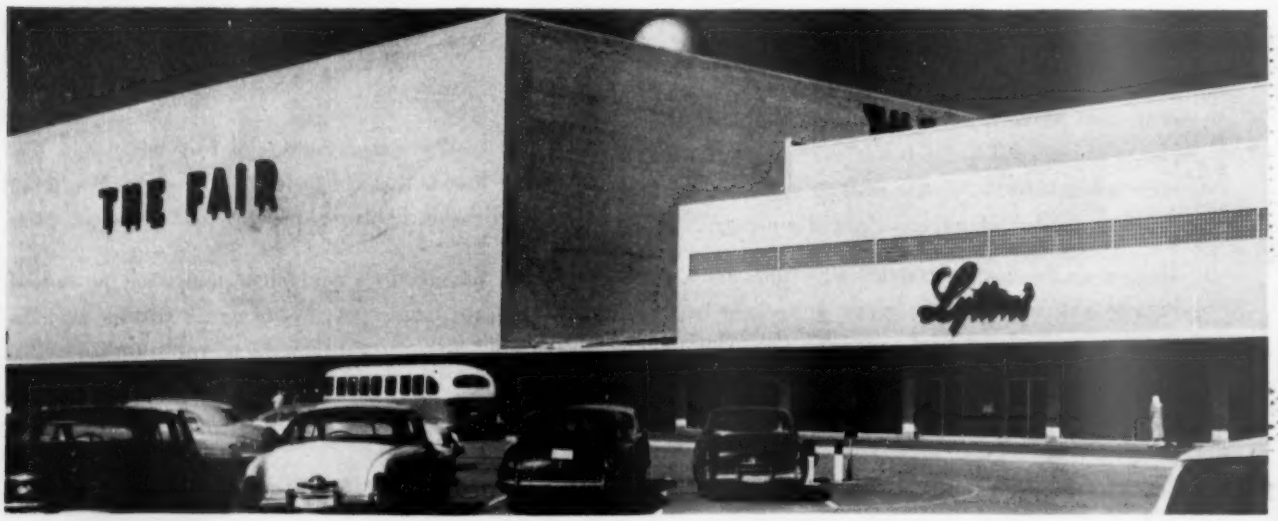
Evergreen Plaza is Chicago's newest (opened only last August) and biggest (6,100,000 cubic feet) shopping center. Projection of current business figures indicate that by the time the Plaza's first anniversary rolls around, turnover will have been $40 million.

Many factors account for the center's booming business. It's within easy reach of 500,000 shoppers. Nearly every type of retail outlet is represented. Parking space is generous, will accommodate 2,200 cars. Design is functional—and pleasant.

And most of the stores are equipped with Honeywell Customized Temperature Control—to help provide ideal customer comfort, good employee morale and economical use of fuel.

Individual stores chose the controls that best fit their needs—and budget. A wide variety of controls was available to choose from because Honeywell manufactures all three types of temperature controls—pneumatic, electric and electronic. And *only* Honeywell makes all three.

Large or small floor space, eastern or northern or southern exposure, occupancy by a small, select clientele or department-store-size crowds--all these varying factors were taken into account at Evergreen Plaza by Honeywell Customized Temperature Control.

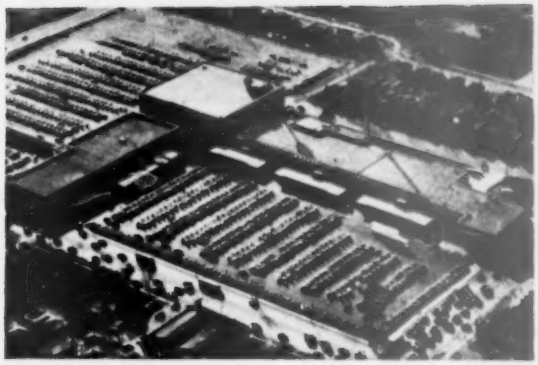




Most of the smaller shops above have individual Honeywell thermostats. By adjusting these individual thermostats, store managers can provide the temperature employees and customers find most comfortable. Smokestack identifies project's central steam plant—controlled for most economical operation by Honeywell boiler room controls.

One or more thermostats on each floor of the larger stores below provides zoned comfort. Thus, in winter the first floor thermostat calls for heat required to compensate for cold air entering doorways, keeps first floor at same *comfort* level as other floors. Thermostats on other floors compensate for different occupancy, exposure and use problems found there.





Evergreen Plaza center was created by Arthur Rubloff, Arthur Rubloff & Co., Chicago; Howard T. Fisher & Associates, Inc., Architects & Engineers; Holabird & Root & Burgee, Architect-Engineer; George A. Fuller Company, Builders.

For comfortable, even temperature in new or existing buildings—of any size—use Honeywell Customized Temperature Control

Whether it's a shopping center, apartment, office, factory, hospital, garage—or any size building—new or existing, Honeywell Customized Temperature Control can help meet your heating, ventilating, air conditioning and industrial control problems.

Once equipped with Honeywell Customized Temperature Control, you'll have an ideal indoor "climate"—and save fuel besides.

And with a complete line of pneumatic, electric and electronic controls to choose from, Honeywell Customized Temperature Control offers you the greatest flexibility in design. Then, too, when it comes to performance, Honeywell-built controls assure years of trouble-free operation. And they're backed by a fine service organization.

For full facts on Honeywell Customized Temperature Control, call your architect, heating engineer or local Honeywell office. There are 104 Honeywell offices across the nation. Or mail the coupon today.



Willard A. Brown, Rubloff's project managing director, says: "We have a great many different temperature control problems here at Evergreen Plaza. Honeywell handles them all extremely well. Fuel consumption is low, too."

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Firm Name .....

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Once a plan has been established, nothing is more important than the proper investment of your funds. We have had many years of experience in the investment and administration of completed plans.

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wheels require fewer dressings. Diamonds are used up instead of being dressed out of the wheel. Some instances have been reported in which the new bonded wheels were completely used up without requiring any dressing.

• *Source: Ohio Metal Working Products Co., 1836 Euclid Ave., Cleveland 15, Ohio.*

• *Price: about $83 for a 6 in. by ¾ in. wheel, f.o.b. Cleveland.*

NEW PRODUCTS BRIEFS

A plastic that breathes has been developed by Goodyear Tire & Rubber Co. for use in rainwear, baby pants, and other clothing. Thousands of tiny vents permit a good flow of air, yet the vinyl film can hold water. The plastic is designed to cut down the retention of body heat, which is high in many plastics.

•

The cantilever principle gives added range to an overhead carrier put out by Tramrail Division of Cleveland Crane & Engineering Co., Wickliffe, Ohio. The carrier can handle materials lying in areas where ordinary cranes cannot reach. It can also reach through doorways.

•

An air-cooled unit makes home air conditioning available in areas where water-cooled types cannot be used because of scarcity, high cost of water, or inadequate drainage. They are being manufactured at the Dayton (Ohio) plant of Airtemp Division of Chrysler Corp.

•

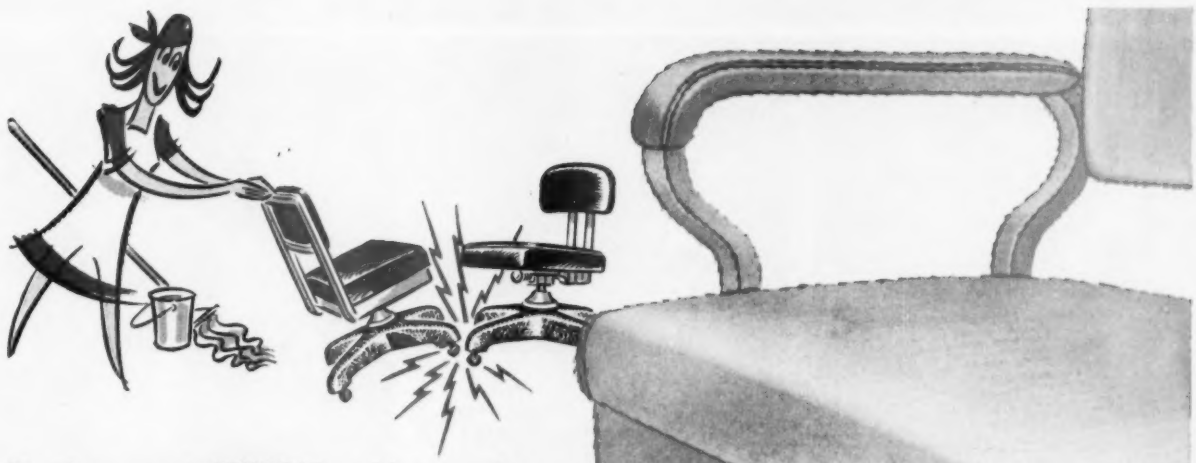
Flexible wall tiles, which can be cut with ordinary scissors, are being turned out by Bolta Products Sales, Inc., Lawrence, Mass. The vinyl plastic tiles have a bamboo-textured surface, can be curved or bent around corners without cracking.

•

A sliding rule that checks vibrations per minute and revolutions per second on high-speed machines is made by Martin Engineering Co., Kewanee, Ill. The inexpensive ($5) instrument consists of a bullet-nosed, pencil-shaped tuning scale and a wire reed. The nose is placed against the machine; when the reed reaches maximum vibration the speed is read off the scale.

•

Constant tension throughout winding operations is claimed for the new electrically controlled winder turned out by Hobbs Mfg. Co., 26 Salisbury St., Worcester, Mass. The company says it's especially useful for handling thin foils and plastics, and small wires, which are easily broken by small variations in pull.



Another great STURGIS achievement:

Steel office chairs with Fiber Glass Bases

that no amount of office abuse will dent, deform or disfigure

Now you can have office chairs with a virtually damage-proof base—*a base that will never have to be refinished because there's no finish to be refinished.* It's a solid, one-piece, molded fiber glass unit that will never need more than a wipe with a cloth to keep it looking like new.

Your Sturgis dealer is now showing both executive and stenographic chairs with fiber glass bases. What's more, these chairs may be selected with the visible steel parts finished in STURLON®, the extraordinary new finish which has 10 to 20 times the abrasion resistance of other finishes, is warm to the touch and is non-corrosive. You can't beat that combination!



Self-leveling

The flex characteristics of this fiber glass base are such that regardless of the unevenness of the floor, the occupant's weight keeps the chair absolutely level.

Cures "foot-trouble"

Office workers are prone to inflict scars and scuffs on chair bases. But a fiber glass base is a sure cure for this sort of "foot trouble".

Noiseless!

The sound deadening characteristic of fiber glass insures virtually noiseless movement of the chair, even on rough and uneven floors.

Smart, beautiful patterns

The glass fiber formations produce a pattern of distinctive beauty—introducing a brand new decorative note into office chairs.

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SURVEY PLANNERS: Business research students at Arizona State College, Tempe, Ariz., plan for a field study . . . . . to help Graham County, Ariz., solve economic problems. Students interview head



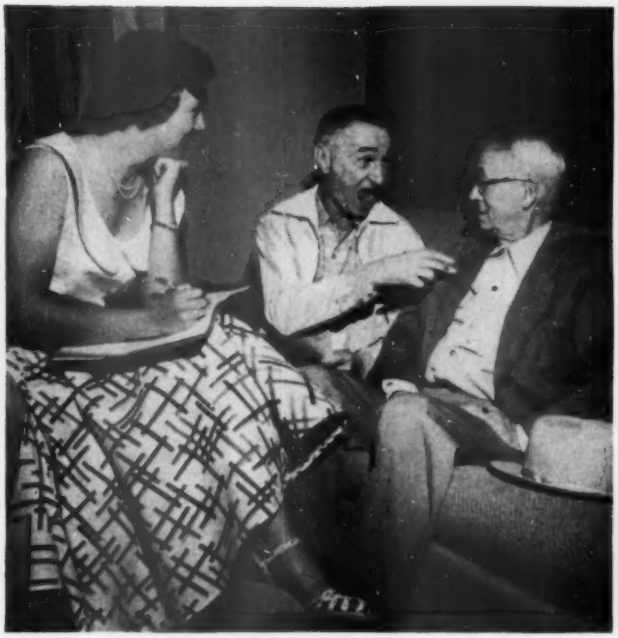
TOWN MAYOR (left) spells out a population problem.



MOTEL OWNER (right) fills boys in on the tourist trade.



of Land Management Office (right) . . .



. . . jot notes as a CPA (center) urges more diversified economy, and a cotton farmer (right) drumbeats for agriculture . . .



. . . discuss Indian problem with Apache tribal council members (center and right).



TABULATING their findings, students get set to write final report with recommendations. That's how . . .

Students Counsel a County

Arizona State College, at Tempe, is getting the first results of a decision made a year ago to add a course in business research to its business administration curriculum. The idea was to give undergraduate students actual field-work experience in conducting business-economic surveys. The big problem was to find a field broad enough to provide all the varied problems necessary for a complete and rounded course.

The solution turned up 180 mi. away, in southeastern Arizona's Graham County. For the last few years, business and agricultural leaders there have been



getting increasingly worried over the county's future. Graham has always been almost entirely agricultural. But just about all the arable land has now been developed. As a result, the county has been losing its young people, because there just hasn't been any opportunity for them.

• **Meeting of Minds**—The two problems—the county's and the college's—dovetailed perfectly. Arthur W. Gutenberg, 32-year-old assistant professor of economics at Arizona State, and director of the school's Bureau of Business Services, had heard rumblings of Graham County's discontent. He got in touch with Thomas S. Shiya, newly appointed manager of the Safford-Graham County Chamber of Commerce (Safford is the county seat).

Shiya, who was hired, at least in part, to find a solution to Graham's problem, was immediately enthusiastic. But before anything could be done, he had to convince the businessmen and farmers that this would be a serious study, not just a scholastic boondoggle.

He called a town-hall type meeting in Safford to explain the survey. Then he asked for volunteers to work with the students. It was a slow job, but eventually he persuaded about 40 of the most active business and agricultural leaders in the county to cooperate.

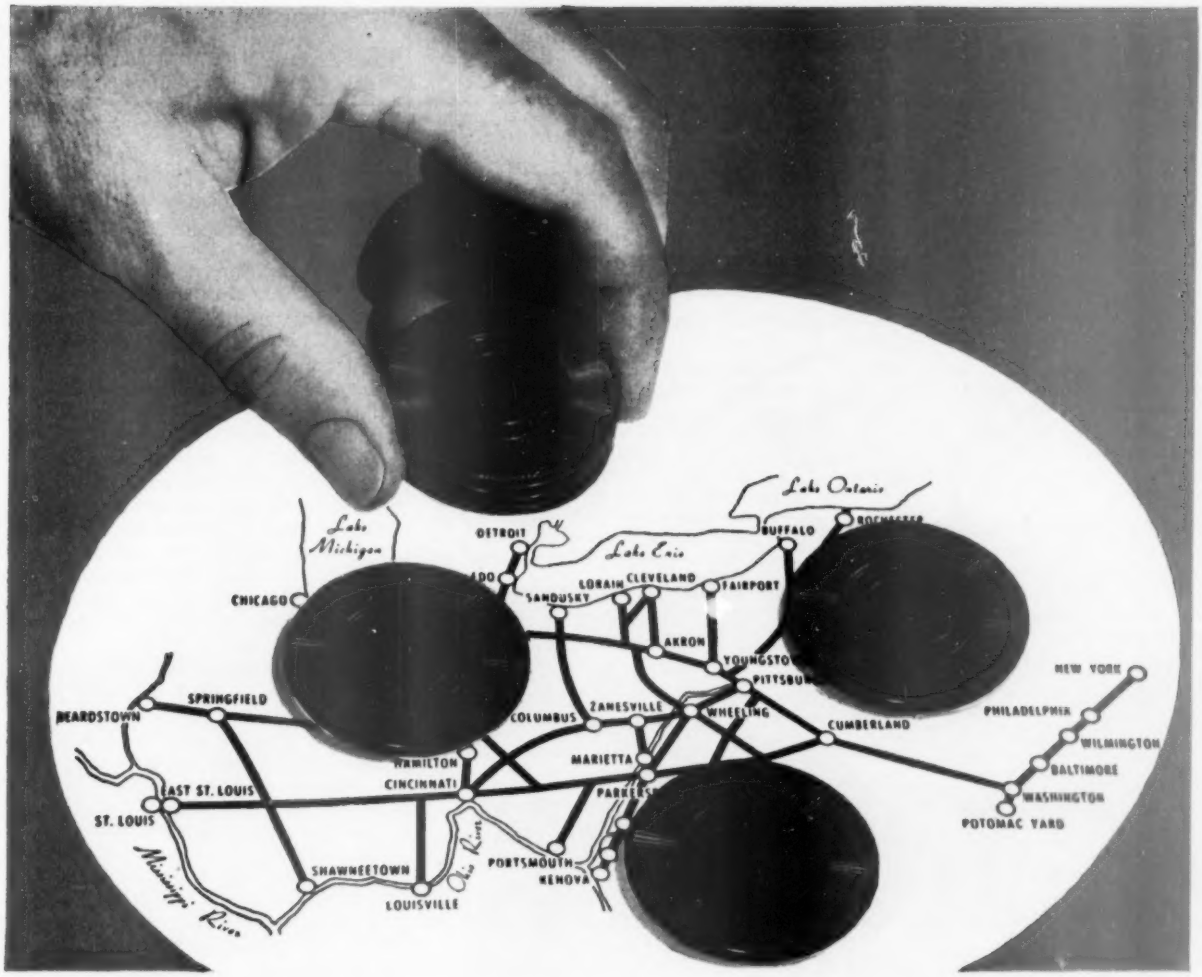
• **Research Job**—In the meantime, Gutenberg had appointed one of the 21 students in the course, Charles Wothke, as operational director for the year's work; two others were made assistant directors. (Gutenberg himself has stayed well in the background throughout.)

Before they could even start on the field work, the students had to get background information on what the county is, and how it got that way. So they spent a lot of time consulting state archives and agencies. They also spent a lot of time going over census figures and other federal reports.

After that, they were ready for the actual field work. Starting Mar. 10, the class commuted by car between Tempe and Safford every day, splitting up after they got there to interview and discuss Graham County's problems with businessmen and farmers there (pictures, page 78). This information is now being correlated with the basic economic data they secured earlier.

• **Sizing Up Graham**—The study is not over yet. But already a fairly clear picture has emerged. Graham County consists of 2,950,400 acres (4,610 sq. mi.), of which, according to the 1950 Census of Agriculture, 2,282,927 acres, or 77.4%, are devoted to agriculture. Something over 2-million acres of this are pastureland; about 31,000 acres in the census year, and about 35,000 today, are devoted to crops. All of this latter is irrigated.

By far the principal crop is cotton;



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Progress at Whiting

A Bi-Monthly Series by Stevens H. Hammond, Chairman of the Board

If your next vacation leads you to the wilds of Portuguese West Africa, don't be surprised to come across a Whiting cupola in operation in the jungle! It was purchased by a missionary to help teach the natives to make their own agricultural implements.

This unusual sale isn't important from a dollar standpoint. Yet it does emphasize the fact that the Whiting name and equipment are known in most of the world's far corners. The carefully supervised, steady growth of our export division has resulted in a far-flung network of agents and representatives throughout the world. This network includes our manufacturing affiliates in Australia, England, France, Italy, Sweden, South Africa and Switzerland, and of course, the operations of Whiting Corporation, Ltd., Toronto, for sales in the Dominion of Canada. The work of this export division involves not only the sale of Whiting products abroad and relations with our foreign representatives but the task of selling "know how" under conditions where the dearth of dollars makes impossible the sale of physical equipment.

Whatever direction your travels abroad may take, it won't be difficult to see examples of Whiting engineering and equipment at work. Let me mention just a few of many instances: Urdan Metallurgical Works, the first foundry in the new nation of Israel is completely Whiting equipped. In that same country at Tel Aviv you will find a Whiting crane serving the first and only sugar works in that country. England's Rolls Royce, Briggs Motors and Bristol airplane firms are using our metal cutting equipment. Recent orders for Whiting railroad equipment have been received from leading lines in nine nations, ranging from Arabia to Thailand and Venezuela. National Railways of Mexico has spent more than a million dollars to equip its new shops with Whiting Cranes, Trambeam, Drop Tables, Washers and Portable Electric Jacks. Three Whiting Trackmobiles are doing rugged duty for Arabian American Oil Company in Saudi Arabia. The recent Loadair installation for mechanical parking of aircraft at Barranquilla, Colombia, is further evidence of Whiting versatility.

Any mention of Whiting export activity would be incomplete without comment on the part played by our Swenson division in helping foreign firms to modernize their processing techniques. The Swenson Spin Bath Recovery System, for example, is now universally accepted and used the world over by the rayon industry from Cuba and Peru to Holland, Norway and Ireland. New paper plants in Pakistan, India and Portugal are also using Swenson equipment.



Whiting cranes in operation at Lake Maracaibo, Venezuela, where they are used in making cement piling essential to undersea oil drilling.

These, of course are only a few of many types of Swenson installations serving abroad.

Are export sales easy plums to be had for the picking? The answer is no. Ours have come slowly and only through the planned application of sales and engineering techniques geared to foreign requirements.

Stevens H Hammond

WHITING

WHITING CORPORATION

HARVEY, ILLINOIS

more than half of the county's gross farm income ($8.3-million in 1949, according to the census) comes from the sale of cotton. Second-biggest source of farm income is the sale of meat animals, mostly cattle and calves. Dairying is a poor third.

There is almost no manufacturing industry. According to the 1947 Census of Manufacturers, there were exactly six manufacturing establishments in the entire county. One was a printshop, the rest were in food processing and cotton ginning. All told, they employed only 49 production workers, paid only $125,000 in wages.

• **No Opportunity**—The population of the county rose from 10,373 in 1930 to 12,113 in 1940, then to 12,985 in 1950. This leveling off is what got county residents alarmed in the first place, particularly in view of the fact that Graham has one of the highest reproduction rates of any county in the country. In 1952, the students found, 450 families had moved out of the county, while only 250 new ones had moved in.

"Although the county shows a population stability," says Gutenberg, "there is no room at present to absorb the younger generation, who must move elsewhere to seek employment." And Carl Reinemund, automobile dealer and mayor of Safford, adds: "Our biggest problem is to provide broader opportunities for our young people and our family units so they can afford economically to remain."

• **Clash of Views**—At the moment, however, there is a sharp difference of opinion in the county over how best to provide those opportunities—whether to expand the almost nonexistent manufacturing plant or to increase the opportunities in agriculture through more efficient marketing and other modern techniques.

The problem is complicated by the nature of the farm employment picture. In the off-season for agriculture, 600 to 700 people would be available for industrial jobs. But the cotton farmers would not be happy if industry were to absorb this labor force the year-round; in that case, they would have to import an equal number of migrant workers during the season.

• **Appraisal**—The students are now working on the final correlation and appraisal. Their report is expected around the end of the month. What it will recommend—and what action, if any, the county will take because of it—is still uncertain.

But in any case, Gutenberg is convinced that, from the college's point of view, the project has been highly successful. He has already lined up three other Arizona counties for similar surveys. Eventually, he expects to have his classes cover most of the state.

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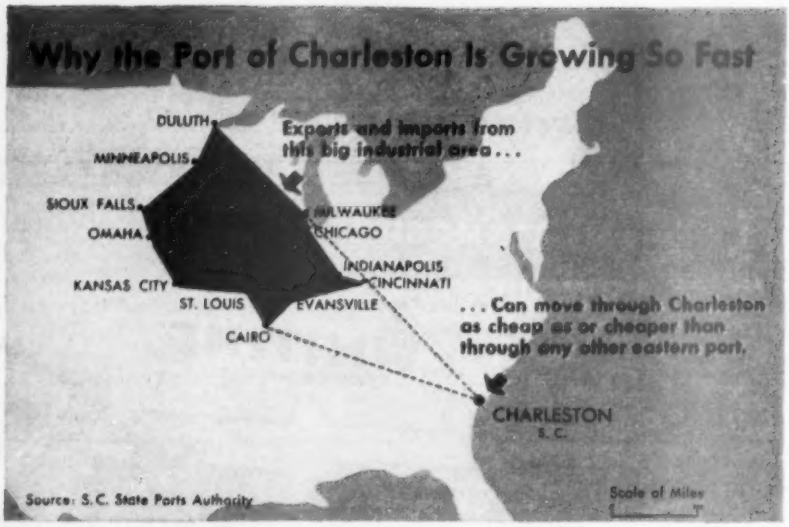


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Can Charleston Keep It Up?

All Charleston is holding its breath this week. After years with no work stoppage on the Charleston docks, operations are at a standstill. The worst waterfront strike in the history of the port has shut down all deep-water shipping through the harbor. Charlestonians wonder what effect it will have on Charleston's future as the fastest-growing South Atlantic port.

Nobody denies that it's serious. Charleston's terminal workers, supported by longshoremen, couldn't have picked a worse time to strike. Every day, the shutdown, now in its third week, is costing the port thousands of dollars. More important, it's costing friends—just when the South Carolina State Ports Authority is ready for the big sell in its multimillion-dollar drive to grab a bigger share of the shipping through South Atlantic ports.

• **High Tide**—Already, the port had more than doubled its prewar volume of shipping, pushed ahead of Savannah and Wilmington, N. C., its nearby rivals. March's 64,160-ton volume broke all records for a single month.

There is no doubt that the authority's ambitious program of remodeling and new construction, freight solicitation, rate adjustment, and promotion was beginning to pay off. And one of its biggest selling points was the fact that for 17 years Charleston had been a strike-free port.

• **Low Ebb**—Even so, before the war ocean commerce at Charleston, like most of the South Atlantic ports, had dropped to a very low ebb, in spite of the general industrial expansion of the region. In 1942 the authority was set up to find out why—and to do something about it.

The authority needed time to study the situation, and got it. There was no point in getting its program rolling during the war. Charleston was a military port so that, even though commercial traffic dried up completely, it was a very busy place.

But while docks operated by the military were busy, the others were used merely as warehouses or lay idle, with their slips filling up with silt. And when the war ended and military cargo fell off, the port of Charleston was right back where it was before the war—only worse off. Except for the military terminal, facilities were obsolete and rundown. The only port movements were unscheduled, basic commodities for local consumption. By that time, the ports authority was ready, and itching, to go into action.

• **In the Same Boat**—The story of Charleston's fight to get a bigger share of the nation's import-export business, as authority chairman Cotesworth P. Means points out, is the story of all the South Atlantic ports. Each has an area behind it that it alone can serve, a captive business that provides the major part of its tonnage. Into Charleston, for instance, come quantities of fertilizer materials, petroleum products, creosote, and general cargo because their destination is in the city's backyard. This tonnage keeps growing as the region becomes more and more industrialized.

But the big opportunity knocking on Charleston's door lies in the land deep behind the port, reaching from the South Atlantic Coast back to the highly industrialized Midwest—the states of Indiana, Illinois, Kansas, Iowa, and Michigan (chart, above). In this area the

Standard Oil Company (New Jersey) reports on...

A big job...well in hand

(Highlights from the Annual Report for 1952)

People needed more oil in 1952 than ever before, but once again ample supplies were available to meet the demand. An important part of this big job was done by companies in which Standard Oil Company (New Jersey) has investments. These companies expanded their facilities to provide people of many nations with oil to heat and light their homes, fuel their ships and planes and trains, power and lubricate their factories, harvest their crops, and run their cars and trucks.

Jersey's Annual Report for 1952 shows how the big job of supplying people's oil needs has become even bigger. It shows, too, how well this kind of American enterprise handles it.

During 1952, Jersey's affiliated companies produced, refined and sold more oil than in any previous year. This meant more oil wells, more miles of pipe line, new tankers, additional refining capacity, and expanded distribution facilities.

It also meant large investments. During the year, new equipment and replacements cost $498,000,000. Since 1945, *almost three billion dollars* have been spent for this purpose.

The increased business brought to Jersey and its consolidated affiliates a record gross income for the year, but because of the higher costs of doing business, *net* income was $8,480,000 less than 1951's record high. About half of this net income of $520,000,000 was paid in dividends to the 269,000 persons who own Jersey.

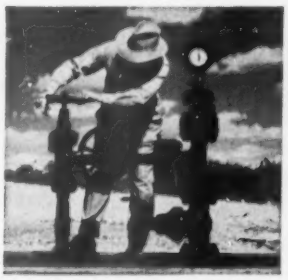
These pictures give some idea of the scope and scale of Jersey affiliates' activities during 1952:



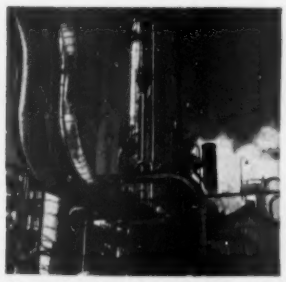
New Oil Sources are located by constant search and by using modern equipment like this helicopter in Canada. New fields were also sought, with good success, in the U. S., South America, Western Europe, the Middle and Far East.



When Geologists Find a Likely Spot, or when known fields are being developed, new oil wells must be sunk, often at great cost. Here is a drilling rig in a project which expanded the known boundaries of an oil field in Saudi Arabia.



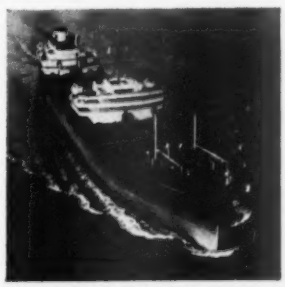
Many New Wells, such as this opening a Texas field, must be placed in operation yearly to meet demands. In 1952, although production of Jersey affiliates was 4 times that of 20 years ago, their proved reserves were at an all time high.



New Refining Capacity helps to meet the need for more and better products. The units shown above, for example, represented an important part of a recent modernization and expansion program at a Jersey affiliate's refinery.



Pipe Lines are costly, but provide the most efficient overland transportation of petroleum. This means cheaper, more abundant products. The pipe shown above went into a line delivering crude oil to a Venezuelan refinery.



Tanker Construction goes on constantly to meet requirements for water transportation of crude oil and finished products. During 1952 Jersey affiliates took delivery of two new ocean-going tankers like the one shown above, as well as four smaller tankers.



New Ideas are essential to meet people's needs for more and better oil products. Over $27,000,000 and the time of 2,500 employees were devoted to research in 1952. Notable results included a motor oil to maintain efficiency of high compression automobile engines.

FINANCIAL SUMMARY—1952

Standard Oil Company (New Jersey) and Consolidated Affiliates

Total income from sales, services, dividends and interest . $4,156,977,000	Taxes charged to income $371,600,000
Net income . . . . $519,981,000 or $8.58 per share	Other taxes, collected for governments . . $384,500,000
Dividends paid . . $256,882,000 or $4.25 per share	Spent for new plants and facilities . . $498,051,000
Wages and other employment costs . . . $670,200,000	Number of shareholder-owners 269,000
	Number of employees 120,000

The Annual Report tells the story in detail. We will be pleased to send a copy to anyone wishing it. Write Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

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AND AFFILIATED COMPANIES

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If you *don't*, you may seriously reduce the eventual net worth of your holdings. There's no need for this, because you *can control* estate taxes — by controlling the valuation on which they will be based. A bona fide "buy and sell agreement"— part of a New England Mutual Business Security Plan — enables *you*, rather than an outside agency, to establish this tax valuation of your holdings.

The cost is surprisingly low. For if there is a claim, the New England Mutual Plan returns its cost many times over. If there is *no* claim, the cost is only the ledger difference between premiums paid, and the Plan's accumulated cash values. The latter are valuable as surplus or emergency reserves, can be used for quick loans, or for retirement funds.

A New England Mutual Business Security Plan offers you many additional advantages, such as supplying the cash needed to acquire holdings. It strengthens the financial security of your business by helping you

1 ***prevent a forced liquidation or reorganization***
2 ***maintain control by surviving partners***
3 ***provide emergency reserves, protect firm credit***
4 ***acquire the deceased's holdings on SET terms***
5 ***settle estate taxes on KNOWN valuation***

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authority sees a potential far bigger than any volume local business could ever offer. For sound reasons, the authority found out, most of this business going to other ports, mainly New York, could just as economically go through Charleston.

• **Cut Out**—But how could the authority induce a shipper or receiver to shift his business from familiar and established routes to an entirely different port? The answer was obvious: Save him money, either directly in rates or indirectly in time and trouble—then convince him of it. That was the job the authority cut out for itself—and which it accomplished.

First of all, to save money for shippers the port had to be efficient. To be efficient, it had to have the plant and equipment necessary for low-cost handling of cargo. So, as soon as World War II began to peter out, the authority set its first goal: to take over the extensive terminal properties and facilities outfitted and used by the Army.

In 1947 the government turned these properties back to their original owner, the city of Charleston. Two days later, the city transferred title to the ports authority. That way, without spending a penny, the authority got its plum: a fully equipped, major shipping establishment, with the needed general cargo berths and warehouse space.

• **Coordination**—In setting up its overall program, the authority had two built-in advantages: It was tax-free and could set its own rates without outside regulation. Furthermore, the enabling legislation gave it wide latitude. It could do things with public money, for instance, that private interests felt they could not tackle.

Here's an example of how the principle worked. In 1949, the authority decided there was a good opportunity, because of savings to the textile industry, to divert most of the imports of long staple cotton into this country through Charleston. The authority got assurances from foreign cotton importers that they would use Charleston, if the fumigating plant required by the U. S. was built. It asked each cotton company owning waterfront facilities at Charleston if it would construct the necessary fumigating equipment and handle the cargo. When none decided to do so, the authority built the equipment, and got the cargo.

• **Dependable**—The second must for expansion of the port was to establish regular sailing schedules. When the authority took over the shipping terminals, not a single steamship line had regular sailings from the port.

The authority struck in two directions at once, making a strong bid for cargo through solicitation and advertising, while approaching the steamship lines

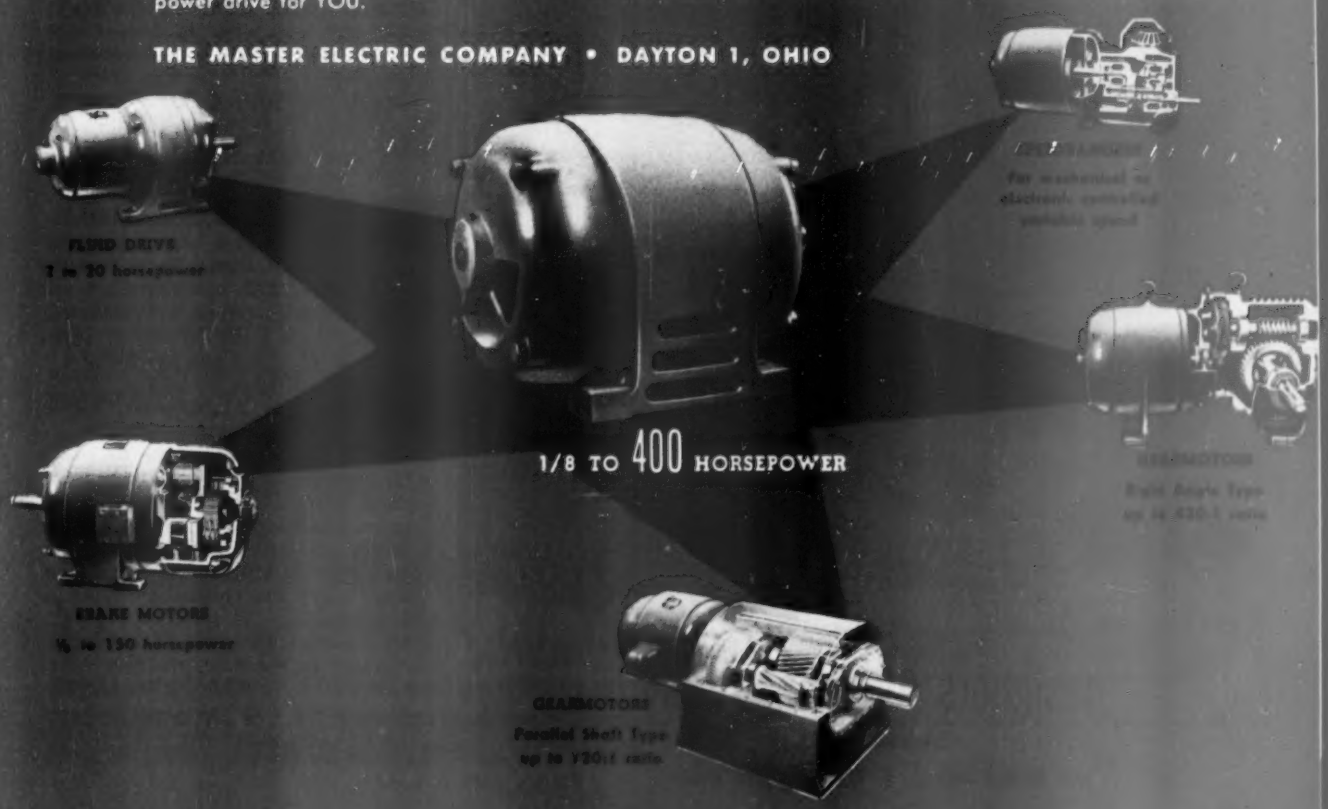
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on the various advantages of setting up schedules.

Since then, Charleston's shipping services have grown steadily. Today about 30 lines have regular sailings—to destinations ranging from Abadan to Zanzibar, from Manila to Manchester, from San Juan to Karachi.

• **Spreading the Word**—Once schedules were set up, shippers had to be sold. So the authority launched an extensive promotion campaign. It set up, and maintains, freight solicitation offices in Washington, Chicago, and New York to attract new cargo.

By far the most productive is New York, since cargo from the Midwest is largely controlled in New York, whether it goes through there or not. The authority's selling points: rate savings, quicker and cheaper port service, negligible pilferage, quicker ship turnaround, and other advantages a relatively small port can offer.

• **Results Showing**—Promotion paid off early. More and more cargo gravitated to Charleston and more ship lines came for it. From 1946 to 1952, cargo handled over the authority's piers increased from 160,440 tons to 450,939 tons. In 1947 the authority handled 132 vessels; in 1952 it handled 474—nearly four times as many.

This increase is pointed up by the fact that most of the new business is high-value merchandise. Machinery, furniture, whiskey, and radios are the cream of the business as far as rates are concerned, and steamship lines will come into a port for far less of this sort of tonnage than they will for lower-value cargo.

• **Rivals**—The South Carolina authority is well aware that the big handling facility it got from the government, its biggest asset, largely enabled it to step ahead of Savannah and Wilmington. But what of the future? Both Savannah and Wilmington have completed modern terminals of their own. But it's Savannah that Charleston is watching. As long as the dock strike continues, cargo will have to be diverted to ports like Savannah. That may give Savannah a big share of future business.

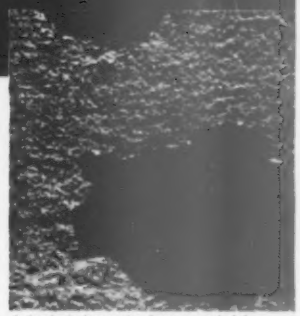
The authority is convinced that if the port can continue to provide modern facilities it can continue to grow. One big potential source of new business is wool. It goes through Boston now, then is shipped south again. Southerners claim that wool consumed in the South has reached the point where a shipper can save money by using a southern port.

Just as Boston has kept these services to herself in the East, the South Atlantic ports know that only one of them will wind up with the wool business. The first one to get any will probably get all. So the competition to get it is fierce.



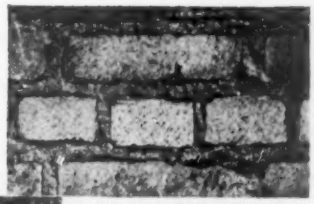
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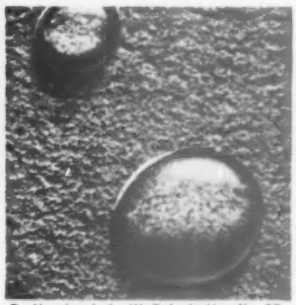


Actual photograph of common brick. The untreated surface absorbs water globules quickly and completely.

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NEW OAKVILLE PLANT, Canada's largest, has started production, may someday hit 200,000 vehicles a year. It's baby of . . .

Ford of Canada Spreads Out

Though it is a country of big physical proportions and big development projects, Canada has never been known for—nor has it needed—big manufacturing plants. So you can understand why Canadians swelled slightly with pride this week when Ford Motor Co. of Canada, Ltd. produced the first car at its new factory at Oakville, Ont. (picture above). Ford's 32½-acres of production facilities—all under one roof—constitute far and away Canada's largest plant. Even by U.S. standards, Oakville is no piker.

In the fast-growing industrial complex between Toronto and Hamilton, Oakville provides a center point for suppliers, labor, and markets all along the booming lake shore (BW—Feb.7 '53,p58). It puts the nucleus of Canada's auto industry within a few miles of Toronto.

• **Second Place**—For Canadian Ford, Oakville represents one phase of a $67-million expansion program. As Canada's second largest auto maker, next to General Motors Corp. subsidiaries, Ford's sales—at $267.7-million—and its share of the market are growing steadily. President Rhys M. Sale (picture) looks to 1953 to break the Ford records set last year.

It's not hard to share some of his optimism. Canada's growth—population up a third, national income quadrupled since 1939—is mirrored on the nation's highways. There were 1.4-million cars and trucks on the road prewar; now there are more than 3-million. Last year, new car and truck sales in Canada broke $1-billion for the first time.

I. Canada's Wheels

The Oakville plant represents a complete facelifting for Canadian Ford. Windsor, Ont., just across the river from Detroit, has always been home; last year the Ford plant there produced a record 132,190 units. Now production and assembly will be switched to Oakville, while Windsor undergoes a $33-million changeover to an engine plant.

Though Ford won't say precisely, Oakville will probably produce 150,000 vehicles yearly, perhaps 200,000 before long. That would put it within hailing distance of GM, whose output now just tops 200,000. But GM is pushing its own expansion scheme, last week announced it was going to build a big new assembly plant (perhaps as large as Ford's) at its headquarters, located in Oshawa.

Canada's production statistics look small alongside U.S. auto totals. The major U.S. companies produce well into the millions each year, and most of the independents aren't far away from Canadian Ford and GM. But on a per capita basis, Canada's auto population about equals that of the U.S. Total output of 432,828 cars and trucks last year, plus 29,000 in imports (divided about equally between the U.S. and Britain), brought ownership to nearly one vehicle for every four persons.

• **Protection**—However, the comparatively low volume of production in a mass production industry has meant that Canada's auto builders have demanded and got protection. There might have been no native auto industry were it not for tariff walls. The protection, plus the desire to benefit by British Commonwealth preferential tariffs, is what brought the U.S. companies to Canada. Today the auto industry is almost wholly an offshoot from Detroit—with affiliates of GM, Ford, Studebaker, Chrysler, Nash, Hudson, and Kaiser-Frazer—in operation.

Without the 17½% tariff wall (unchanged since 1936, when it dropped



PRESIDENT Rhys M. Sale

from 20%), Ford of Canada would be hard put to compete with Ford U.S., or any other company for that matter. Even with its volume, Ford of Canada feels it must buy body stampings, automatic transmissions, and frames from Ford U.S. as well as other suppliers. As long as volume remains relatively low, and costs remain high, the tariff, which applies to all save British products, will remain.

• **Tariff Angle**—Imported parts represent between 25% and 30% by value of the Ford product. The percentage might be even larger if it weren't for the fact that Ford leans heavily on its overseas sales. To qualify for lowest empire preference tariffs, Canadian cars must contain specified percentages of Canadian content. Ford hews to a 70% line by buying from 1,100 suppliers in more than 170 Canadian communities. Ford likes to be thought of first, last, and always as a Canadian company—owned and operated by Canadians.

II. Native-Born Canadian

The precise tie between Ford of Windsor and Ford of Dearborn isn't unraveled in the records. The company was set up in 1904, a year after Ford Motor Co. was organized, by a group of Windsor businessmen. They made a deal with Henry Ford, and in return for a share in the business, they

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received a license to make Ford products in Canada.

What has become of the Ford interest throughout the years isn't on the record. Ford of Canada, whose stock is on the market, says that 75% of its shareholders live in Canada, but that doesn't shed any light on how much stock they own. Perhaps Ford of Canada's board is the clue. Of its eight members, three are officials of Ford U.S.

• **Overseas**—Ford of Canada is an international, as well as Canadian, company. It has plants in South Africa, Australia, New Zealand, India, and Malaya, employing 9,000 and managed largely by nationals of those countries. Australia does the largest proportion of its own manufacturing; South Africa does some, the others are almost entirely assembly plants. The only major Commonwealth market that Canadian Ford doesn't serve is Britain, where the Ford company is an affiliate of Ford U.S.

In addition to assembly abroad, Ford of Canada exports a healthy portion of its production—20% last year. But the foreign business is the one area where Ford's Rhys Sale isn't so bullish. He told his annual meeting recently that, what with import controls imposed by traditional customers, he doesn't expect any marked improvement in overseas markets for some time to come.

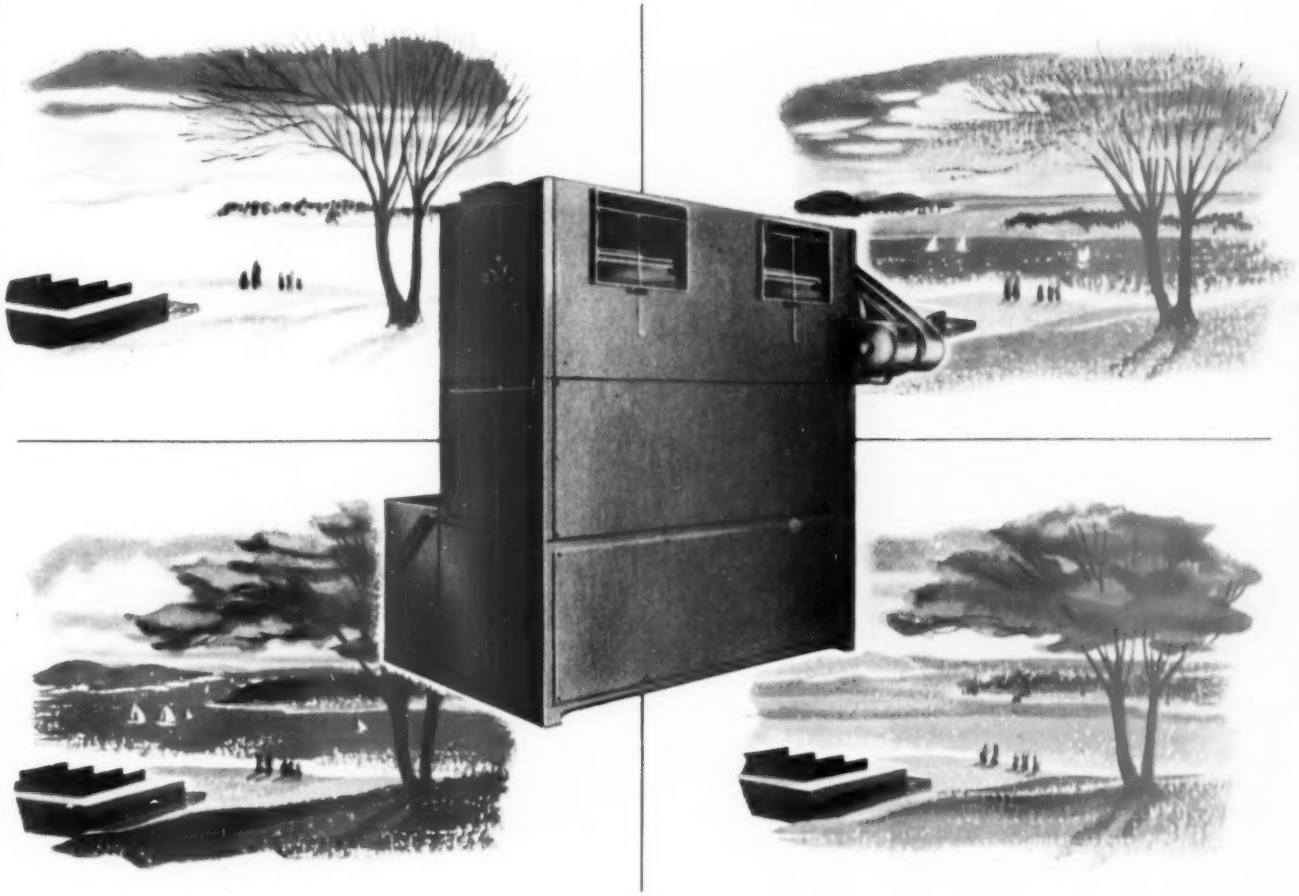
• **The Boss**—Ford president Rhys Manly Sale, 56 years old last March, knows the foreign business. He started as a finance clerk at 18, and after an overseas stint with the colorful Essex Scots during World War I, he was assigned to Ford Australia. After that came general export duties and domestic sales. Sale became general sales manager in 1939, executive vice-president in 1949, president in 1950.

He would pass anywhere for less than 50, even though his colleagues say he lives all hours of the day ("and maybe in dreams, too") with Ford problems. But like most auto executives, he intersperses his bread-and-butter work with wide extracurricular interests—Boy Scouts, the Canadian Council of Christians & Jews, directorships of Canadian Bank of Commerce, Montreal Locomotive Works, and others.

Most of the Ford executives came up through the ranks, too; the team includes only one U.S. citizen, and only two born in the U.S. Executive vice-president Theodore J. Emmert, born in the U.S. Pacific Northwest 37 years ago, moved up through Boeing Aircraft, into Canada with Canadair Ltd., Montreal, and then on to Windsor and Ford.

Canadian Ford executives meet problems that few U.S. auto makers face. Manufacturing is one headache: the need of buying as much as possible

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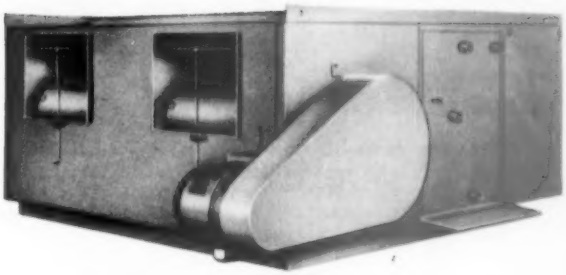
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Tree farms and woodlands under Rayonier control total 820,000 acres, an area larger than Rhode Island. Rayonier will, therefore, continue to be the one best source of highly purified, versatile chemical cellulose.



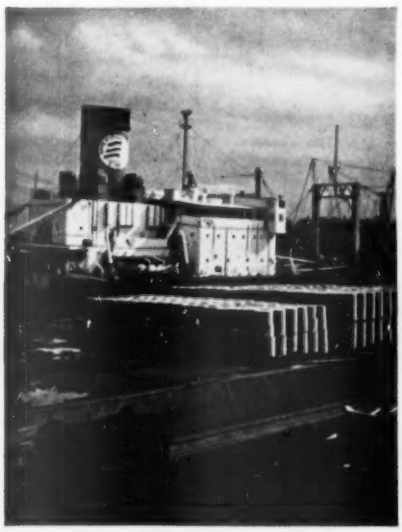
3. EXCLUSIVE PROCESSES. The Rayonier Research and Technical staff is the largest in the world devoted exclusively to chemical cellulose. Some of these scientists are as well-known in chemical circles as Kettering in Detroit. Rayonier Research has developed a number of exclusive processes.

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Rayonier will continue to seek the world's best research abilities, increase its million dollar a year research and technical budget as rapidly as necessary to give customers the highest product quality and maintain Rayonier's identity as the source of advancement in cellulose chemistry.







4. EFFICIENT PLANTS. All Rayonier plants, three on the Olympic Peninsula of Washington and the Fernandina Beach, Florida, plant shown above, are big, efficient units ideally located as to supply and shipping. A measure of their size is the believe-it-or-not fact they use almost as much water as the entire population of Cleveland, Ohio! The Permutit water softening system at the Fernandina plant is one of the largest in the world.

In output, Rayonier's four plants increased 7% during 1951, another 6% in 1952. Improved processes and techniques promise a gain of 6% more in 1953. In 1954 the new $25 Million Rayonier plant at Jesup, Georgia, will start. This will bring Rayonier production to 50% of U. S. A., 32% of North American and 20% of world chemical cellulose production . . . another reason Rayonier feels sure of the future!

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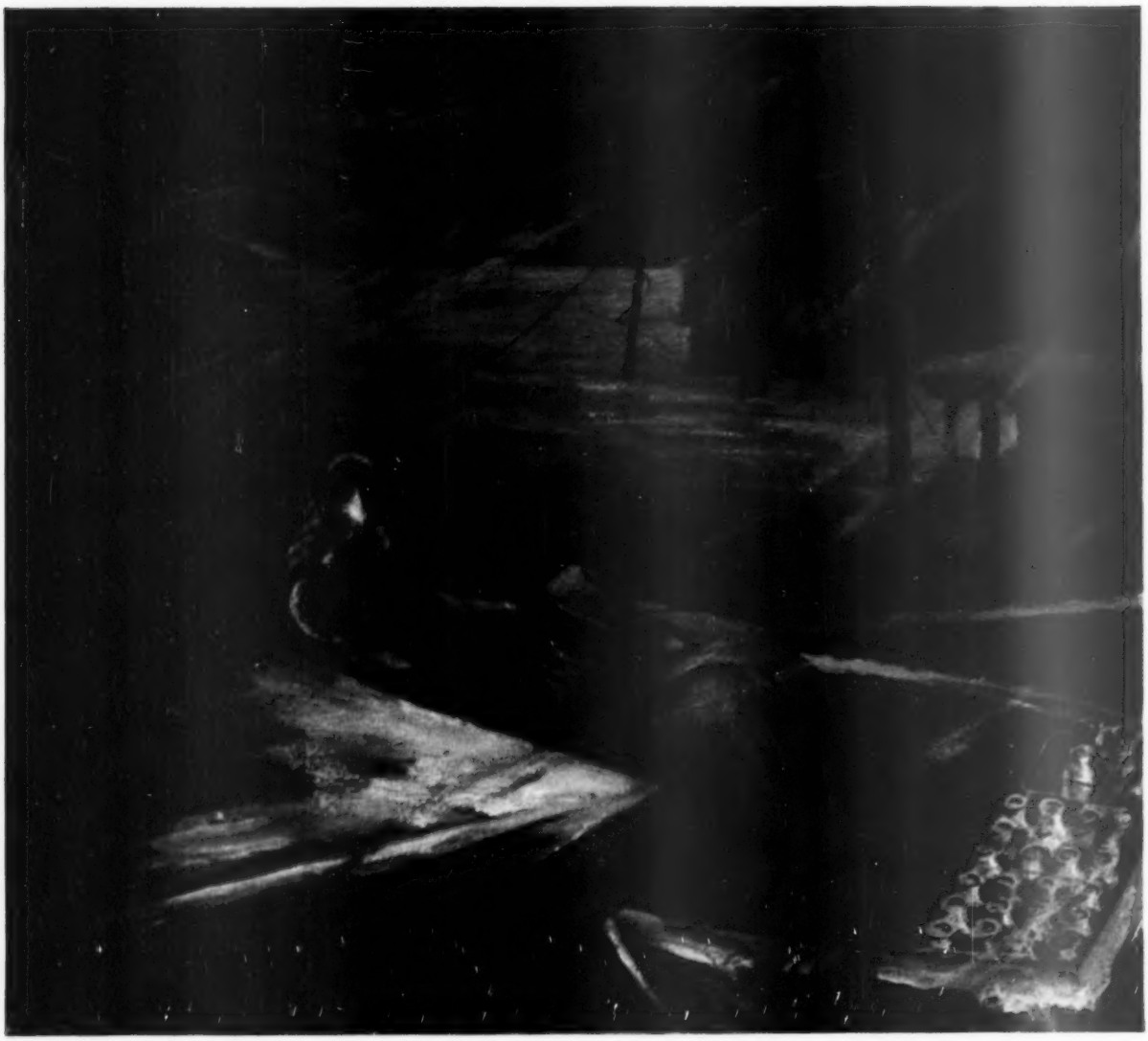
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". . . some dealers seldom sell more than one car a month . . ."

FORD OF CANADA starts on p. 90

economically in the U.S. because it's cheaper and still to produce enough in Canada to meet tariff requirements. Another is marketing in a country 3,000 mi. wide and, in its principal populated area, only 200 mi. deep.

III. Meteors and Monarchs

Ford of Canada has about 1,000 dealers. Some seldom sell more than one car a month, piecing out their income with franchises on farm and industrial machinery. Others account for substantial deliveries.

One successful marketing gimmick is broadening of the product line by adding nameplates. You can buy a Ford from one dealer, or go down the street to another dealer and buy a Meteor—admittedly a Ford, with a different grille and other touches of its own—for $22 to $78 more. At the original Ford dealer's, you'll also see a Monarch. That corresponds to the Mercury sold by the Meteor dealer.

The nameplates appeared after the war in order to add depth to Ford's line, to match those of GM and Chrysler of Canada (no Lincolns are made in Canada, few are marketed). At the same time, they have meant that Windsor could add dealers where business justified without directly competing with established showrooms. The Meteor-Monarch arrangement helps keep business within the company, too: If a customer gets mad at the local Ford garage, he can get the same parts from a Meteor man.

• **Quirks**—Canada's distribution peculiarities had a lot to do with Ford's decision to build at Oakville. Perhaps 60% of all Canadian-made vehicles are sold within 300 mi. of Toronto; about 38 of each 100 sell within a 200-mi. circle. Ford of Canada plans to deliver one-fifth of its Oakville output within 25 mi. of the factory.

That marketing picture is making the Toronto-Hamilton salient in Ontario, the center of Canada's auto industry. General Motors is at Oshawa, a few miles east of Toronto; Nash and Reo are hard by the city limits; International Harvester and Studebaker are in and around Hamilton. Even Volkswagen, the German firm, is thinking of an assembly plant along the lake shore; Rootes of Britain already has a big parts depot in Toronto. The only major car maker not in the area is Chrysler, which is sticking by—and expanding in—Windsor.

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British Cash Flows West

Setting up of a development company in Newfoundland is part of an increasing movement of capital from the mother country to Canada.

Two weeks ago a bill to permit a British development company to exploit Newfoundland's resources was being debated by the provincial legislature at St. John's. Premier Joseph Smallwood rose to defend the measure. Smallwood, a development-minded politician if there ever was one, said that the British company represented a new start by Britain in rebuilding its overseas empire.

The bill passed. And British Newfoundland Corp., Ltd., a syndicate of 21 major British banking and industrial firms, went ahead planning its timber and mineral exploration program (BW—Mar.21,'53,p158).

• **Band Wagon**—In a sense, Smallwood was right. For several months now, the British government has been quietly pushing a campaign to promote investment in Canada. Britons, who by and large have been on the outside looking in on Canada's postwar industrial growth, are hurrying to take advantage and sign up.

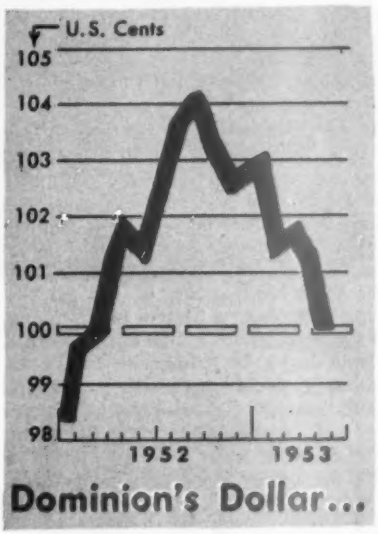
You can see the trend in British Newfoundland Corp., in the plan of Imperial Chemical Industries, Ltd., for a $20-million synthetic plant in Canada, in the British purchase of Woodhouse & Co., big Canadian home furnishings chain (BW—May2'53,p140). And you can see it in figures. Between 1946 and last December, the British Treasury permitted investment in Canada of about $140-million. In the first three months of 1953, it allowed $49-million.

• **Fiscal Policy**—The change is partly due to Treasury policy; it stems naturally from the Tory government's gradual move toward currency convertibility. Not all the bars are down, to be sure. London is favoring direct investment—purchases by British companies of plant and equipment—and not purely personal applications for dollars to buy Canadian securities. But it does seem to be giving its blessing to almost every serious proposal involving a sound industrial or commercial enterprise in Canada.

There's a change of heart on the part of British businessmen, too. Many have been thinking mainly of investment in sterling countries. Now they find those prospects wavering. Canada, meanwhile, seems to hold out a rosy long-term outlook. (Some British bankers and investors are less optimistic for the short term, arguing that Canadian development is too dependent on the U.S. arms boom, as well as being vulnerable to a drop in metal demand.)

• **Door Ajar**—Canadian policy still tends to hold down the total of British investment. Under the agreement for repayment of the $700-million interest-free Canadian loan to Britain in 1942, any dollar from the sale or retirement of British-owned Canadian securities had to be used to repay the loan. Since 1948, a revised deal allows the British Treasury to divert such dollars to finance British investment, provided it "contributes to Canadian industrial development." Ottawa has interpreted that clause to exclude most natural resource development, which it considered speculative.

As a result, Britons failed to get in on Canada's oil and mineral boom (except for participation through the landholdings of the British-controlled Hudsons Bay Co.) However, there have been some important investments under these restrictions, mainly connected



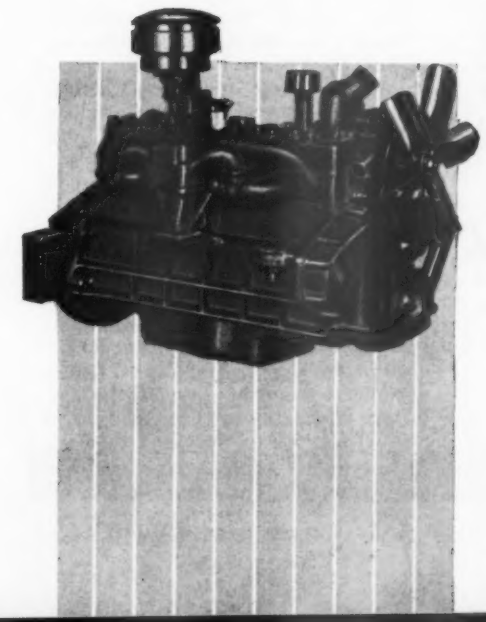
...Back to Par Again

After a year of highflying at a premium over U. S. currency (BW—Nov.1'52,p90), Canada's dollar was quoted last week at par, or a shade above or below. It has been softening since the first of the year. Probable explanations are: (1) Canada's first-quarter deficit on commodity trade; (2) some switching by investors from Canadian to U. S. securities; (3) speculators banking on a hardening U. S. dollar. Odds are the Dominion dollar will level off at just about 100 U. S. cents—more or less.



Photo Courtesy Gar Wood Industries, Inc., Findlay Division, Findlay, Ohio

Pedigreed Horsepower digs ditch, carries dirt away, moves ditcher!



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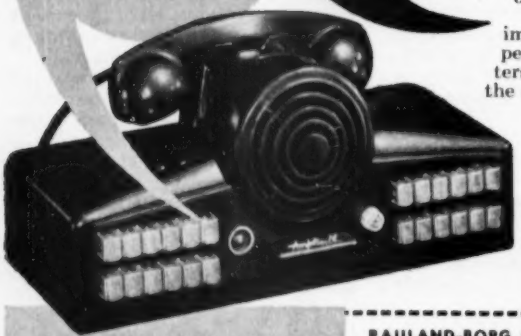
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". . . today, the British stake stands at $1.8-billion—and is rising . . ."

INVESTMENT starts on p. 98

with defense—for example, the Rolls-Royce jet engine plant and the A. V. Roe (Canada) Ltd. aircraft factory at Malton, Ont.

Even with the new climate, British investment won't come near rivaling the $7-billion stake the U.S. has in Canada. Between 1930 and 1948, British investment fell from $2.8-billion to around $1.6-billion. Much of the liquidation was in the sale of government, railway, and utility securities, while manufacturing and merchandising interests increased. Today, the British stake stands at about $1.8-billion—and is rising. Here are some recent projects:

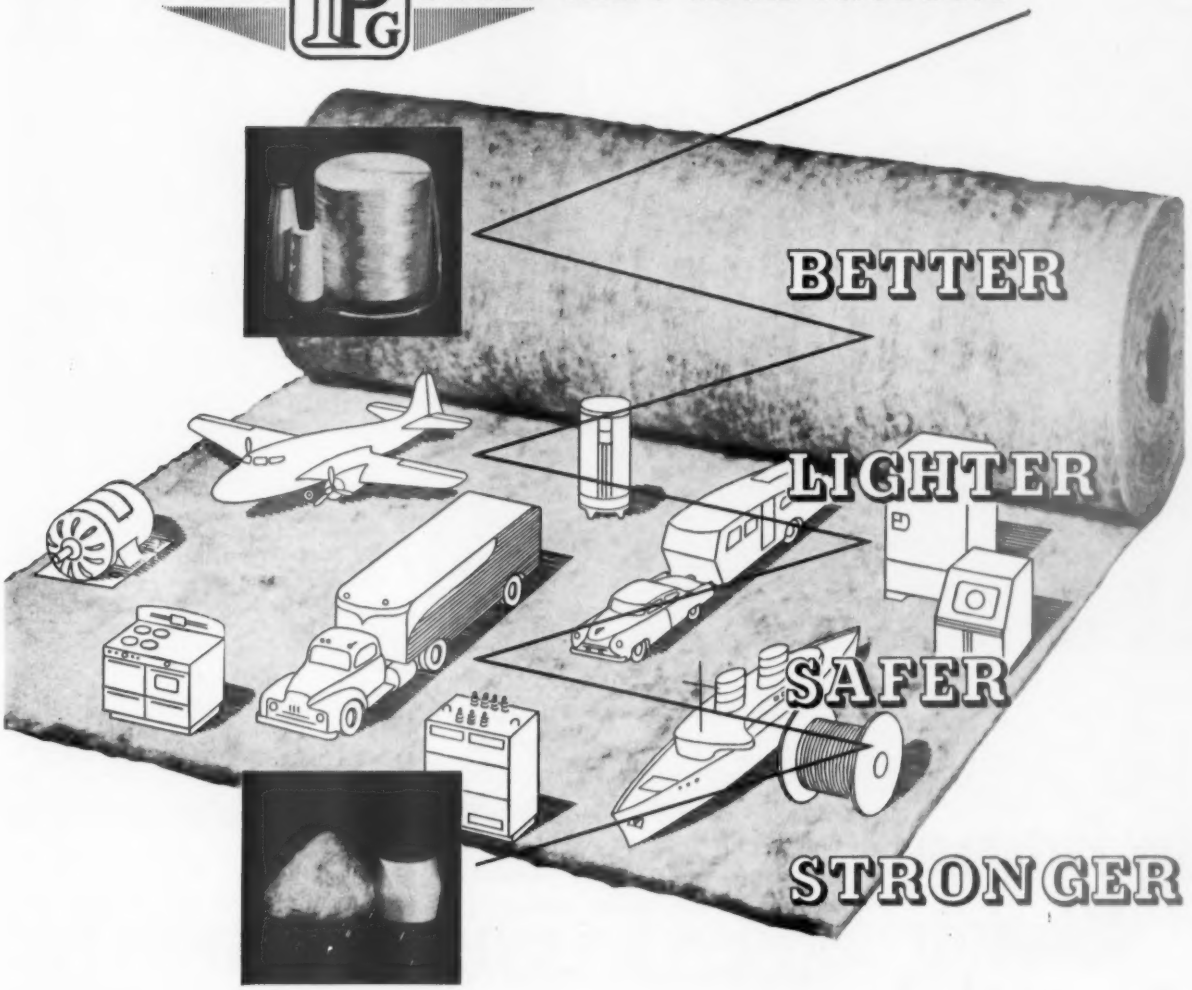
• Imperial Chemical Industries will produce Terylene (Dacron in the U.S.) in a big plant at Millhaven, Ont. The largest British cable manufacturer, British Insulated Callender's Cables, Ltd., has put up $3-million to buy the rod mill and wire divisions of Phillips Electrical Works, Ltd., the Canadian affiliate of Chicago's Automatic Electric Co.

• R. W. Crabtree & Sons, Ltd., the U.K.'s largest printing machinery maker, will take over the Windsor (Ont.) plant of International Tools, Ltd. The leading British sugar refiners, Tate & Lyle, Ltd., last month bought an interest in Canada & Dominion Sugar Co. A construction firm, Sir Robert McAlpine & Sons, Ltd., is now setting up shop in Toronto and Montreal.

• Hambros Bank, London, has joined with another group to form Locana Corp., to "channel British capital and skill into Canada." And the purchase of Woodhouse & Co. by Great Universal Stores, Ltd., British retailing giant, amounts to a major assault on the Canadian market.

• **Limits**—It's too early to say whether a large British participation in Canadian natural resource development will be forthcoming. Only limited dollars are available. Except for the Newfoundland project, industrial schemes seem to be favored. And as for personal investment, the Treasury is—nominally—still barring the way. It recently refused to provide dollars to Britons who wanted to get in on Aluminium Limited's stock rights issue. But it did open the back door. The Capital Issues Committee openly suggested that Britons could exercise their rights by a roundabout route, buying Deutschemarks, then transferring them into dollars.

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CANADA BRIEFS

A further tightening of an already tight Canadian labor market is forecast by Bank of Montreal's current Business Review. It follows from the depression period's sagging birthrate, which now shows up in a dearth of teenagers and young people available for work. It shows up, too, in slowing demand for new homes and children's goods. The situation will ease, says the Bank, when the World War II babies grow up—in the 1960s.

•

Another U. S. retailer is tackling the Canadian market. The Grand Union Co., Paterson, N. J., has bought Carroll's Ltd., a 32-store chain based in Hamilton. The plan is to expand supermarket operations throughout Ontario.

•

Alberta isn't hurrying to liquidate its provincial debt. Instead, Alberta buys Province of Ontario bonds, which pay 4%, and thus makes a healthy profit since it has to pay only 2.78% on its own indebtedness. But Alberta's Premier Manning promises that its debt will be retired in 20 years.

•

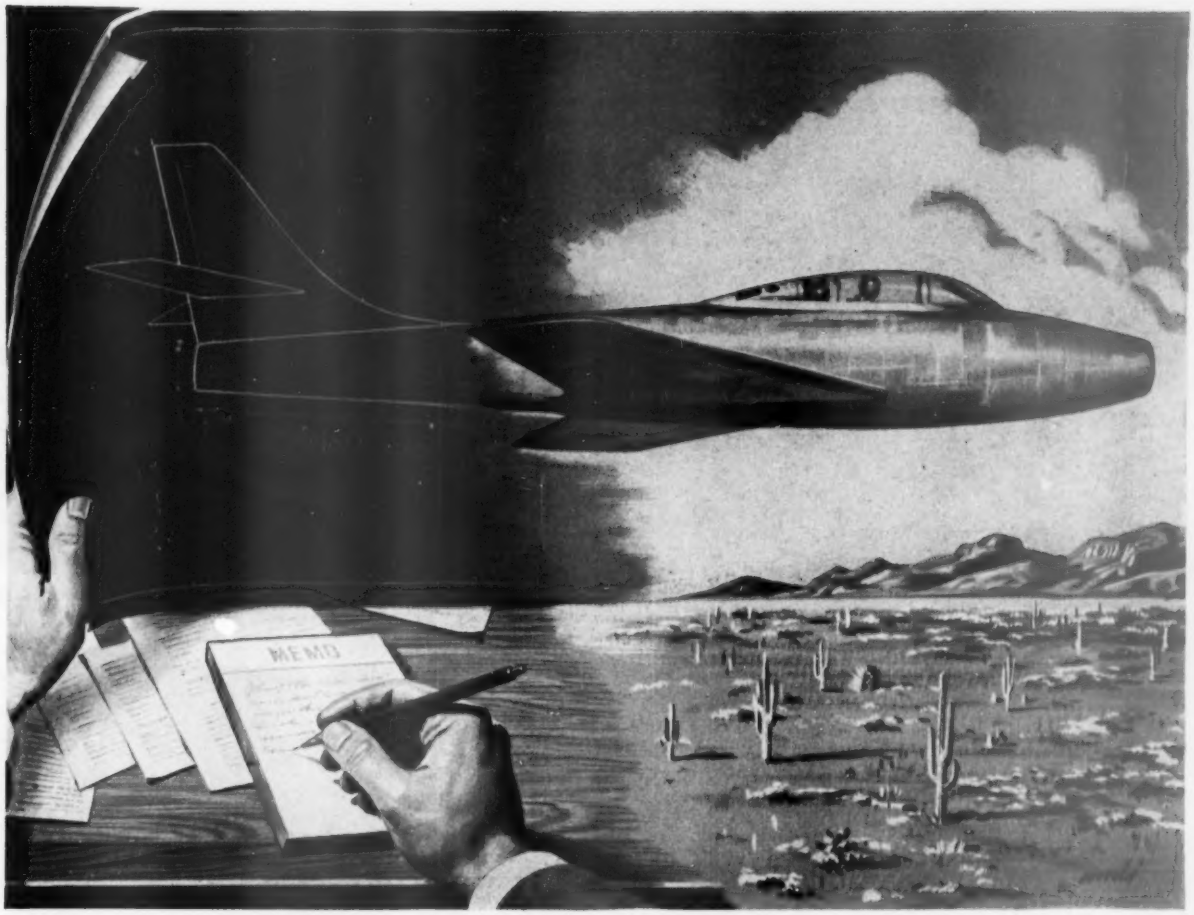
Oilmen are spending about $1-million daily on gas and petroleum development in Western Canada, according to R. H. C. Harrison, president of Canadian Petroleum Assn. He thinks the country may be self-sufficient in oil supplies within five years.

•

Toronto talk: Kawneer Canada, Ltd., subsidiary of the Michigan manufacturer of metal products, has bought a five-acre site in town for its first Canadian plant. . . . Colgate-Palmolive-Peet Co. Ltd., is spending $1.5-million on a seven-story addition to its Toronto factory. . . . A new microwave radio-relay system, linking Toronto, Montreal, and Ottawa, begins operating this week. It will carry phone conversations and Canadian Broadcasting Co.'s television, already hooked up with U. S. channels by a Buffalo-Toronto relay system.

•

Annual report: In a study of 301 leading Canadian companies, Toronto's Financial Post found that their combined net profit last year dropped 9.8% below 1951 levels (3,440 U. S. outfits dropped 2%, according to a National City Bank of New York survey). Only 5 of 15 categories analyzed showed gains: oil, merchandising, public utilities, finance, milling and grain. Record gains were made by three finance companies (up 68.4%); 33 textile companies had the worst showing (down 46.4%).



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MERRILL GRISWOLD: chairman and salesman for Massachusetts Investors Trust.



TO A BROKER: "Albert, have you got a copy of that Haskell speech?"



VISITOR (center) is John M. Coates, president of Masonite Corp. Griswold's company holds

Making

It was 9:15 in the morning of Monday, Apr. 27. Merrill Griswold, chairman of Massachusetts Investors Trust, walked into his office on the 25th floor of the John Hancock Building in Boston's Back Bay. He was asked for a decision even before he could take off his coat.

The question came from his Girl Friday, Elizabeth Von Nidda. She reminded him that he was to host a black-tie dinner in Boston the following Monday night, and was scheduled for a Pan American World Airways directors' meeting in New York the morn-



A DIRECTOR: "Is that meeting tonight really important?"



A LAWYER: "I can hardly understand a prospectus myself."



A PRESIDENT: "Get yourself an advisory board; put your man at the head of it."





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ADVISORY BOARD meets every Friday. Griswold hears general advice and special reports on particular industries.



SUCCESSOR to Griswold, who is retiring next year, is Dwight Robinson (right).

Friends for a Mutual Fund

ing after. Would he fly to New York or take the midnight train?

Griswold decided the dinner would break up in time for the train. Then he took off his coat and sat down to a desk piled high with mail.

Thus began a typical workday for the head of the oldest and biggest mutual fund, and the biggest buyer of common stocks, in the U. S.

• **Investment Pool**—As chairman of MIT (as the company is known in financial circles), Griswold is responsible more than anyone else for the care and feeding of half a billion dollars' worth of securities. MIT has holdings in 143 companies. Its own shareholders number 100,000, and hail from 48 states and 24 foreign countries.

MIT's primary function, as a mutual fund or "open-end" investment trust, is to act as a sort of team manager for small investors (its shareholders). The average mutual fund shareholder doesn't have a big pile of money; on his own hook, he couldn't invest very widely—and if one of his investments proved bad, he'd be out of luck. In theory (BW—May9'53,p136), by pooling his funds with those of other small investors, he avoids that risk by spreading his investments thin, over a wide cross section of industry. He also gets the benefit of having his money handled by experts like Griswold.

I. The Job

Of the five men on MIT's board of trustees, Griswold carries a good bit more than one-fifth of the burden. In return, he gets a proportionately bigger share of the glory. His compensation, based partly on the asset value of the fund and partly on its income, was

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". . . Griswold starts thinking about his day's work as soon as he gets up . . ."

MUTUAL FUND starts on p. 104

$150,257 last year. Dwight P. Robinson, Jr., vice-chairman of the trust, got $137,845.

Griswold isn't bothered by his heavy responsibilities. He'll be 67 this July, and he has been top man at MIT for 21 years—but he still has a full head of hair that's only beginning to fleck with gray at the temples. "All this talk about 'crushing responsibility' on a job like this," he'll tell you, "is a lot of hooey. You do the best you can, that's all. I sleep nights."

• **Public Relations**—Actually, Griswold's job with MIT is as much public relations as anything else. He leaves the stock market research and decisions to others. His primary function is to make friends with the various publics that come in contact with MIT.

"It's one thing to do a good job," he says. "It's another thing to get credit for it."

This public relations function is vitally important to an open-end trust. For the peculiar feature of such a trust (a feature that MIT invented) is that shareholders can buy in or sell out at will—if they pay the purchase charge. It's up to the trustees to keep more shareholders coming in than going out.

There are other publics for MIT to make friends with, too. There are the state and federal governments that regulate its business; the many companies in which it holds a substantial voting interest; and the rest of the fast-growing investment trust business itself—which looks to Griswold as its spokesman and general watchdog.

• **Investor**—Griswold is, of course, more than a high-level public relations man. He is an astute investor. The only reason he leaves most of the buying and selling decisions up to the other four trustees is that MIT picked them because they are astute investors, too, and he has confidence in their judgment.

Occasionally, though, when the vote is two-to-two, he will step in to throw the balance. When he does, his reasoning is irrefutable—if unconventional.

In March, 1942, MIT had an opportunity to buy 50,000 shares of Pan American World Airways stock. The market price at the time was $15. But the decision was clouded because a lot of essential information about the company was under wartime security wraps.

Griswold solved the problem neatly. With 2-million shares outstanding, Pan Am had a market valuation of $30-million. This was just at the time the French liner Normandie burned and rolled over in New York harbor, and Griswold recalled mention in the news stories that the Normandie had cost $60-million to build.

"A whole airline certainly must be worth more than half the value of one ocean liner," he reasoned. "Let's buy."

MIT did buy—and almost tripled its money in three years.

II. The Facets

Like many executives, Griswold starts thinking about his day's work as soon as he gets up in the morning. "I get some of my best ideas while I'm shaving," he says. When they come by, he traps them in an illegible scrawl on a note pad kept for the purpose on his bedside table.

Monday's sheet, translated, read: "Write Fundamental—thanks," and under that, "Call Pratt, copy Haskell speech."

Stuffing this note in his breast pocket, Griswold went down for breakfast and a fast look at the first page of the Boston Herald. Then he left his unpretentious townhouse at 13 Marlboro St. for a five-block constitutional to the office.

• **Debater**—When he had settled the train-or-plane question with Mrs. Von Nidda, Griswold told her to put in a call to Albert Pratt, partner of the Boston investment brokerage firm of Paine, Webber, Jackson & Curtis. Next he settled down behind the pile of fresh mail and remnants of Friday correspondence that all but concealed the hand-tooled Morocco of his desk top.

He had just picked up the top letter (from Joseph Welch, general manager of the Wellington Fund in Philadelphia) when the phone buzzed for the first of many times that day, and Pratt was on the line.

"Albert, have you got a copy of that Haskell speech? I want to borrow one quick. People are making a stink about X Co. not splitting their stock. That speech had wonderful ammunition. I want to crib it and send it to the company."

Here, right off the bat, was a major public relations problem. Some directors of X Co. want to split its stock but are bucking strong opposition from the rest of the board. MIT, a substantial owner of the company's common, is in favor of the split and eager to help put it through.

John Haskell, vice-president of the New York Stock Exchange, had given a speech in which he outlined some cogent reasons why high-priced stocks should sometimes be split. Griswold wanted to work Haskell's arguments into a letter to one of X Co.'s directors.

• **Educator**—Just as Griswold finished talking to Pratt, Mrs. Von Nidda came



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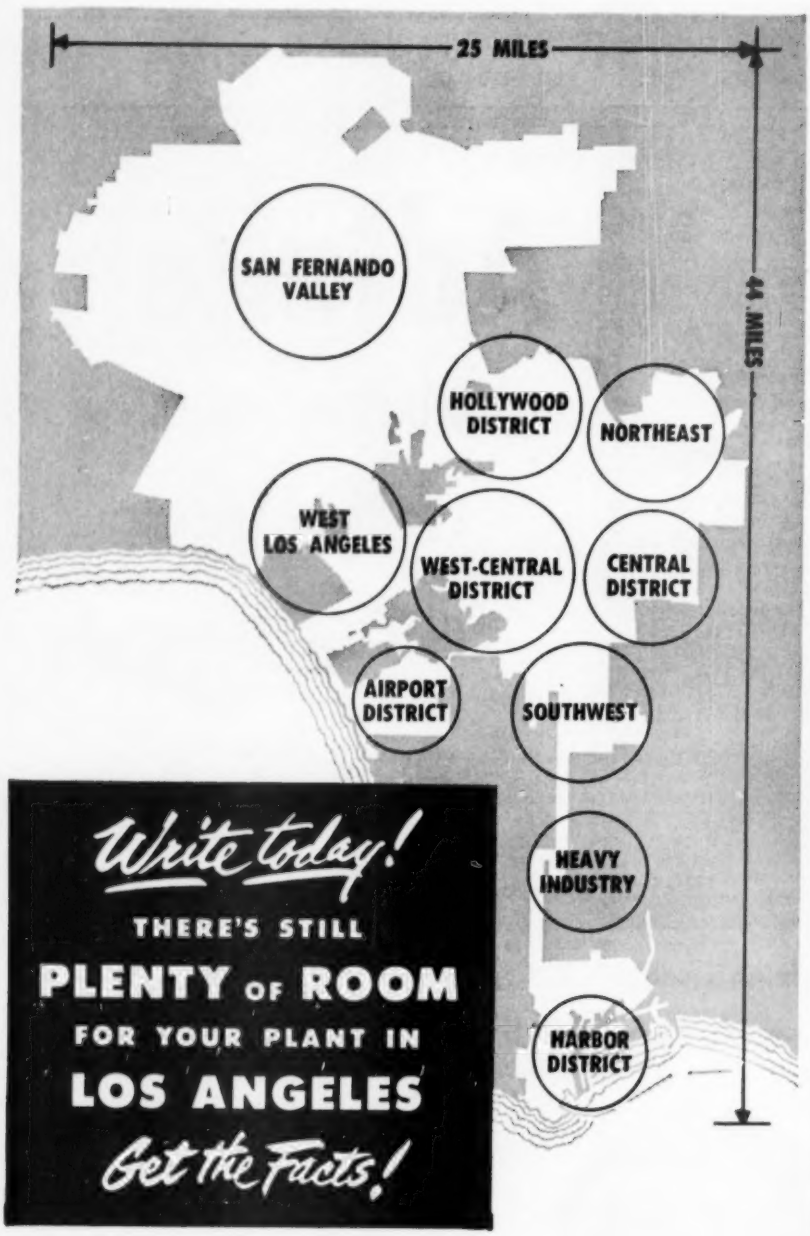
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Industrial Development Section C

BOX 3669 • TERMINAL ANNEX • LOS ANGELES 54

in with a note saying that Charles Almy, a director of Dewey & Almy Chemical Co., in Cambridge, had called asking if Griswold would be free to attend a directors' meeting of Browne & Nichols School at Almy's home at 7:45 that night. Almy and Griswold, close friends from boyhood, both went to B&N and Harvard. Griswold was one of the early backers when Almy and Bradley Dewey set up their chemical company and has been an active director from the start.

"Do I want to go? Course I don't want to go. Question is, do I got to? I guess I do. Put in a call to Almy."

"Junior, is that meeting tonight really important? All right, I'll come, but for cripes sake don't let 'em talk me deaf, dumb, and blind."

On the click of this call came another from a stockbroker asking if Griswold was interested in buying some Maine Turnpike bonds for his own account. Answer: "You're too late; I've already bought some."

• **Crusader**—It was now 9:45. The phone was hot but the mail hadn't been touched. Griswold turned to the pile and dove in.

On top of the pile, where Griswold had thrown it while he was on the phone, was his scrawled note to himself: "Write Fundamental—thanks." This was easy to dispose of, but important. It bore on a pet project that Griswold has been nursing along for years.

The project has to do with what Griswold considers an unsound selling practice on the part of some investment companies: They pay cash dividends out of capital gains as well as income—and make little or no distinction between the two.

Say a small investor has a share of stock worth $20. During the year its value goes up to $25—a capital gain of $5—and it earns $1 in income.

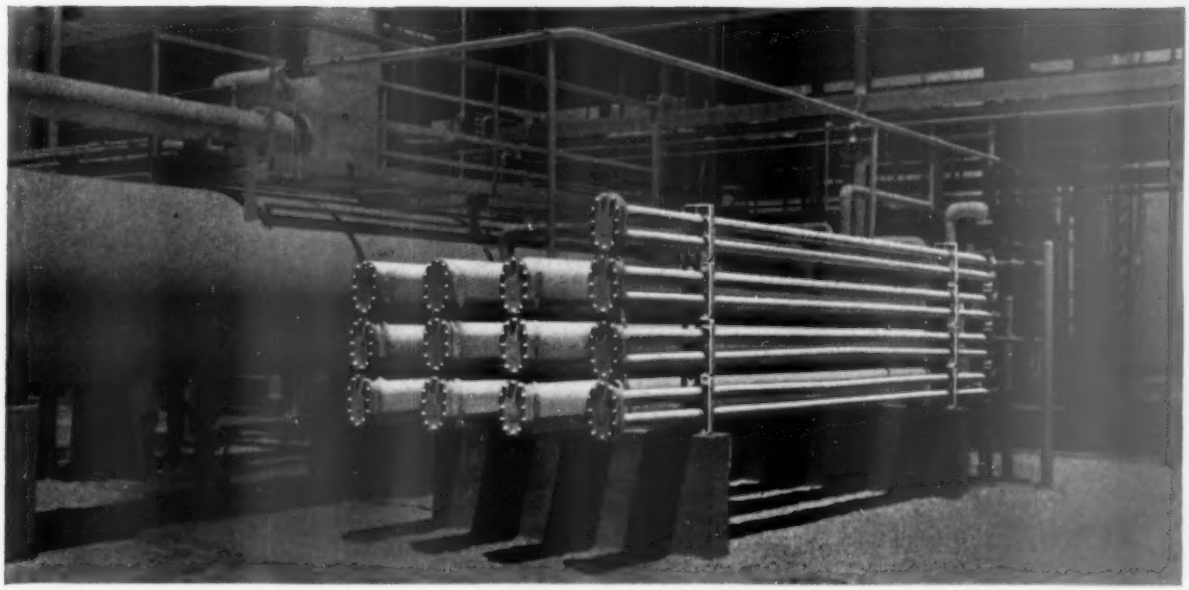
Theoretically, an investment trust should pay the shareholder $1 in cash, and leave the $5 as part of the capital—where it can continue earning money. But some trusts pay the shareholder, in cash, all or part of the $5, in a lump sum with the $1. To the inexperienced investor, this looks like a fat and attractive dividend. Actually, part of it is principal—not income. If he doesn't plow it back into his capital (which, being inexperienced, he probably won't) his principal may shrink as soon as the market begins to slide.

• **Reformer**—Griswold has been trying to get the Securities & Exchange Commission to change its rules so that investment companies are required to distinguish clearly, for the benefit of shareholders, between capital gains and income. This MIT clearly does when it pays "dividends" out of security profits.

His scrawled note about "Fundamental" referred to Fundamental Investors,

Assure Flexibility

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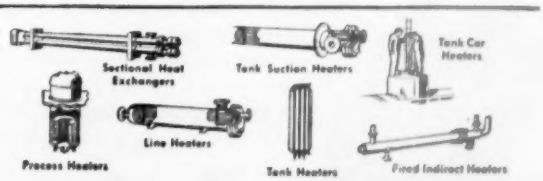
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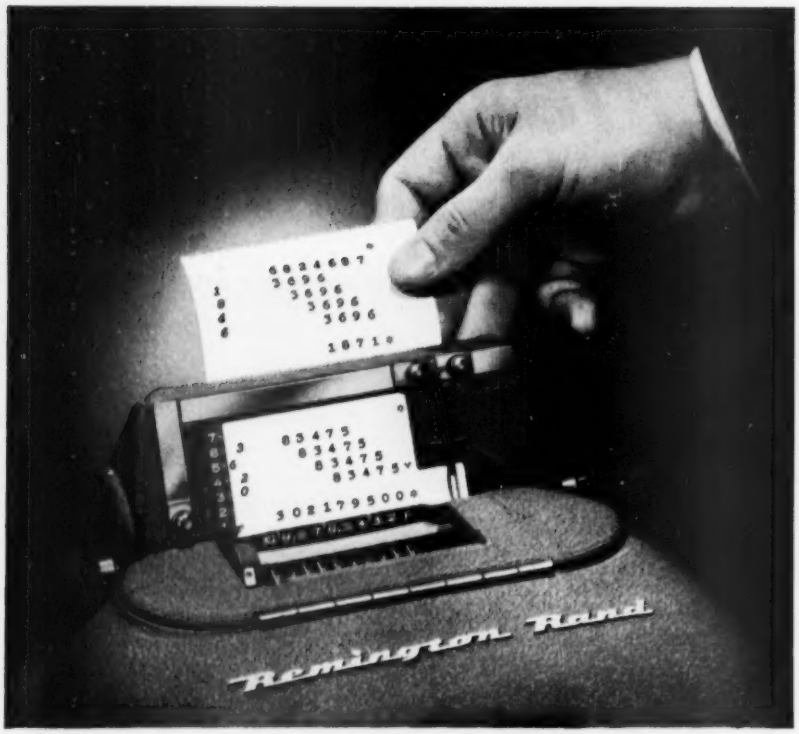
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Remington Rand INC.

PROFIT-BUILDING IDEAS FOR BUSINESS

"... 'Our shareholders are on Main Street—not Wall Street' ..."

MUTUAL FUND starts on p. 104

Inc., of Elizabeth, N. J. The company had written to Griswold the week before, enclosing a copy of a letter to SEC saying that Fundamental approved heartily of Griswold's proposed change. Griswold now called in his stenographer and dictated his thanks.

• **Teacher**—Just as he finished that task, George K. Whitney, one of the other four MIT trustees, walked in with a sheaf of papers and sat down in the chair beside Griswold's desk. Like the other trustees, Whitney was hired by MIT as an industry specialist and trained up to trustee. Now he is learning something of Griswold's public relations function, preparing to take it over when Griswold retires next January.

At that time, Dwight Robinson will take over as chairman. Robinson is a strong investment man and a smooth administrator. Whitney has the PR flair. He generally sits beside Griswold when he goes through the morning mail, watching how Griswold handles the knottiest problems and taking over some of the less knotty ones himself.

• **Defender**—Griswold scanned the first letter he had picked up before—the one from the Wellington Fund. Attached to it was a clip from a Philadelphia newspaper, in which the writer scored investment companies for getting too big, throwing too much weight around on the stock market. Welch of Wellington asked Griswold for his thoughts on the subject.

This is a pet peeve of critics of investment trusts—that big investors, such as MIT with $500-million worth of common stock, might start a panic if they tried to dump their holdings when the market got weak.

Griswold's answer—his "party line"—is that MIT doesn't dump its shares and never has, even when the bottom fell out in 1929, when the Nazis marched in 1940, and when the Japanese struck Pearl Harbor. In each of its 29 years, MIT has sold more of its own shares than it has redeemed.

"Our shareholders are on Main Street—not Wall Street," says Griswold. "They don't get jumpy with every shift in the averages; they're in for the long pull."

Griswold turned the Wellington letter over to Whitney to answer: "Give 'em the party line."

• **Adviser**—Next on the pile was a letter from the president of another investment company asking Griswold to arrange an appointment for him with someone in Vance, Sanders & Co.,



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MIT's sole wholesale distributor. Like most investment companies, the writer's company had recently started a plan whereby shareholders may assign their dividends toward purchase of additional shares. He was having trouble with costs; these plans take a lot of extra bookkeeping. Vance, Sanders—which handles all sales for MIT and several other trusts—has had a lot of experience with MIT's Cumulative Investment Program and has pretty well worked out the bugs.

Griswold put in a call to Henry Vance, president of the company, found he was out of his office, then told Whitney to set up the appointment.

• **Stockholder**—Shortly afterward, John L. Cooper, one of MIT's industry specialists, walked in with a fistful of proxies for Griswold to sign. The other trustees had already approved them. Griswold now leafed through them quickly and signed them all.

Griswold is a firm believer in stockholder responsibility. He sees to it that, as the country's biggest stockholder, MIT not only sends in its proxies but scrutinizes the issues involved before it casts its vote. In by far the majority of cases, MIT votes with management. When it votes against management, MIT always sends a letter explaining why.

• **Inventor**—At 10:50, the president of another Boston investment company called Griswold to ask what legal tack he should take to get a particular Boston banker on his board. A regulation of the Federal Reserve Board forbids officers or directors of banks in the Federal Reserve System to take any positions of authority in investment trusts—the theory being that they might exercise undue influence on their banks to buy the shares of their particular investment companies.

MIT got around that by setting up an advisory board.

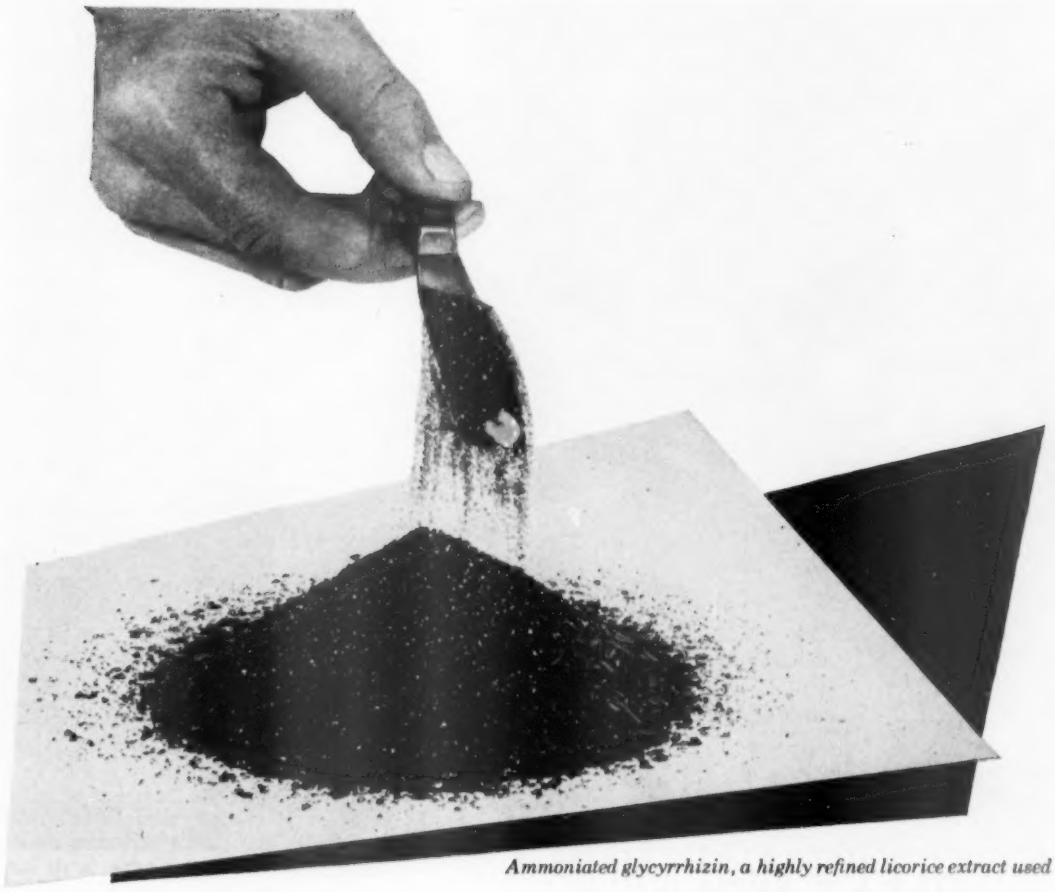
This board meets each Friday afternoon, with Griswold presiding, to discuss the status of MIT's portfolio and to advise—merely advise—on changes. It has no vote, no real authority, and that's enough to clear it with FRB.

Griswold's suggestion to the president of the investment company was: "Get yourself an advisory board and make X the head of it; then get some others to fill up the chairs."

• **Talker**—So the morning went—from phone to letters to phone again. Meanwhile the pile of paper on Griswold's desk grew and grew. For every one that he handed to Whitney or dictated away, two more fell into place.

Finally, at 12:35, Griswold put down the phone, pushed back his chair, and said: "I'm getting ready to call this off."

Griswold often eats lunch at MIT's own dining room—a short walk down



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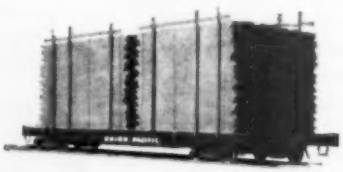
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At last they've got their little "dream house"—the home which every American couple looks forward to. Every stick of lumber is a matter of personal pride, for never before was there a house quite like *this* one . . .

Somewhere in the Union Pacific West there were trees whose wood was meant to go into this particular house. There were other materials too, many others, that came over the Union Pacific rails just for this housewarming, for modern construction uses the products from all over a nation bound together by dependable transportation such as the Union Pacific provides.

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UNION PACIFIC RAILROAD

the hall from his office. On this particular Monday there were no guests—just Griswold and five other MIT men.

Conversation began, appropriately, with comment on the market upturn.

Then interest shifted to internal matters. Between sips of soup, Griswold commented on the value of passing praise down the line to the secretaries and the need for a better filing system.

• **Simplifier**—After lunch, Griswold and Whitney moved into a small conference room beside the dining room where, on a small round table, there were three telephones. "We need all these phones so two of us can think while one of us talks." Griswold wanted Whitney to listen in while he talked with MIT's counsel, Warren Motley, partner of the Boston law firm of Gaston, Snow, Rice & Boyd (where Griswold is himself an inactive partner), about another of his pet projects—prospectus simplification.

Griswold has a passion for simplifying things. He says it's the secret of success. For years he has been venting this passion on the investment trust prospectus—a very complicated document, cluttered with columns of statistics that are practically meaningless to anyone but a trained accountant. "I can hardly make sense of them myself," says Griswold. Yet they are about the only sales tool SEC allows.

Accordingly, Griswold has worked out a system that boils down pages of statistics into one short, easy-to-read table. MIT incorporated this table in its last annual report.

Motley, to whom Griswold talked this afternoon, has been drafting industry recommendations for a similar system to be used in prospectuses. He and Griswold hope that SEC will allow the change.

• **Thinker**—When he had finished chatting with Motley, Griswold looked at his watch and saw that it was 2:45. He jumped up. "I've got a dentist appointment at three," he said, making for the door. "Tell Elizabeth I'll be out for the rest of the day."

This isn't an everyday occurrence. Griswold usually ends his office day between 5:00 and 6:30. He almost always takes work home—heavy reading matter that he never gets a chance to look at in the office.

He takes vacations—two weeks at Hobe Sound in Florida in the winter and three weeks at B Pond, his private lake deep in the Maine woods, in the summer. But wherever he is, he's always thinking about how to make MIT grow. Henry Vance, with whom Griswold works closely on the vital job of selling MIT shares, gets so many odd-hour calls from him that when the phone rings in the Vance household at, say, 8:00 on a Sunday morning, his children chorus: "There's Mr. Griswold."



What would a daytime fire do to your business?

Don't settle for part-time protection —55% of all fires start during the day

If any of your records were suddenly wiped out by fire, would your firm be able to carry on? 43 out of 100 businesses fail; 50 others take years to recover; only 7 are able to carry on without costly delay.

Perhaps you feel safe because you have fire insurance, are in a "fireproof" building—or even have a safe or vault for storing your records at night?

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"Our Records Were Saved," reports Mid-West Oil Co. "Fire-Files helped to save our business by preserving all records when our buildings burned out." Case histories for 25 years show protection in fires lasting up to 12 hours!

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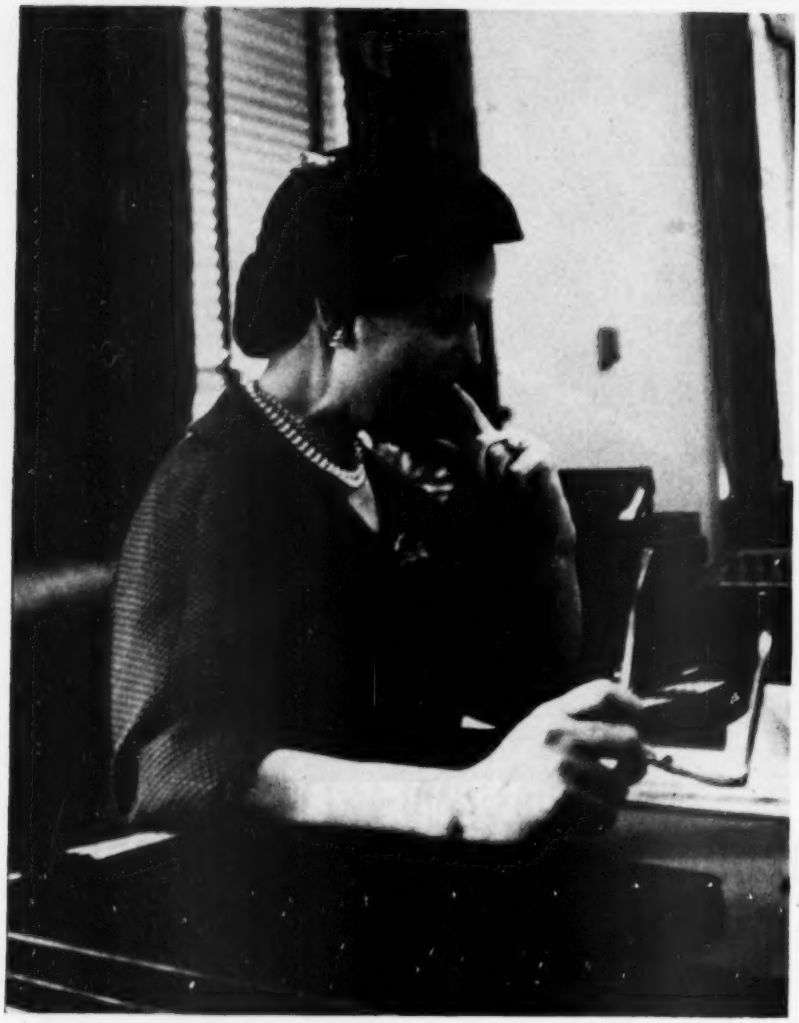
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OVETA CULP HOBBY'S NEW JOB:

Finding a GOP Welfare Plan

A woman, and a Democrat at that, has the tough job of drafting the first Republican welfare program in two decades.

But Oveta Culp Hobby (Cover), first Secretary of the brand-new Dept. of Health, Education & Welfare, looks as if she is up to the job.

Mrs. Hobby is something new under the jaundiced Washington sun. She is not the first woman Cabinet member: Francis Perkins, Franklin Roosevelt's Secretary of Labor, also wore unusual hats. But if she and Mrs. Hobby have anything else in common, it isn't visible to the naked eye.

Apparently there are no limits to either Mrs. Hobby's energy or her charm. It will take plenty of both to put together a welfare program that will please the President and Republicans in Congress, too.

• **Things to Come**—You got a hint of the kind of welfare work the President wanted from his campaign speeches. Broadening of social security coverage and some sort of health protection were most frequently mentioned.

But a whole welfare program, one the Republicans hope to be able to point at with pride four years hence, is to be worked out. It must be a welfare program without a welfare state.

The big health problem is to hatch a scheme of entirely different proportions than Britain's socialized medicine and the Truman Administration's National Health Insurance, but one that will meet the same objectives. The new health program must contemplate a large degree of voluntary participation and local control.

The new education program must come to grips with the dilemma of fast-growing population in areas too poor to expand school facilities proportionally. HEW is dealing with only one facet of this problem so far. It's advancing funds for school construction in so-called federally impacted areas—communities, such as those in which Atomic Energy Commission facilities have been located—throwing a burden on existing schools at the same time large tracts of land are withdrawn from local tax rolls.

Expansion of social security is the big welfare question. Shall payroll deductions be increased next year? What uncovered groups of people can be included and how soon?

• **Opposition**—Big bugaboo—if Eisenhower insists on it—will be the health program, of course. The medical profession, or a very influential segment of it, at least, is utterly opposed to any federal ventures in this direction—and these doctors have substantial backing in Congress.

Secretary Hobby isn't tipping her hand at this point. She won't discuss a health program or extension of social security. But she has a team of consultants—from industry, government, and colleges—making an "open-end" study of the present social security system. This group might well come up with specific recommendations on something like health insurance, as well as with ideas for more federal pensions.

When the time comes, Mrs. Hobby's new program is almost sure to fit two prime requirements:

• It will be efficient. Little, if any, additional federal personnel will be needed to administer it. Where possible, it will be self-sustaining financially—perhaps like social security.

• It will be simple. Mrs. Hobby's pet peeve with government is its red tape and the obscurity of involved laws and regulations.

• **Cautious Approach**—Mrs. Hobby's cautious approach to this tricky problem isn't entirely a matter of her own choice, however. She's had her hands full just getting squared away on her new job.

She's had the same organizational problems that her colleagues in the Cabinet have encountered since they took over the government Jan. 20. These are the much-publicized difficulties of operating with policies that



Steak was really "rare" in the 90's

At the turn of the century the "butcher's wagon" was a familiar sight. For many rural families it was their only meat market.

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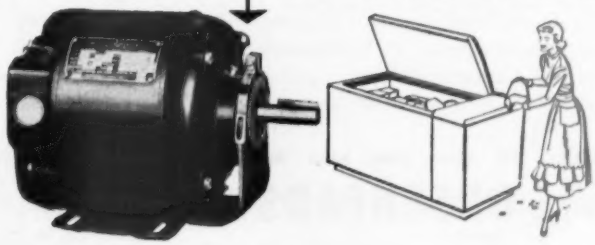
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Write for these Emerson-Electric Motor Data Bulletins

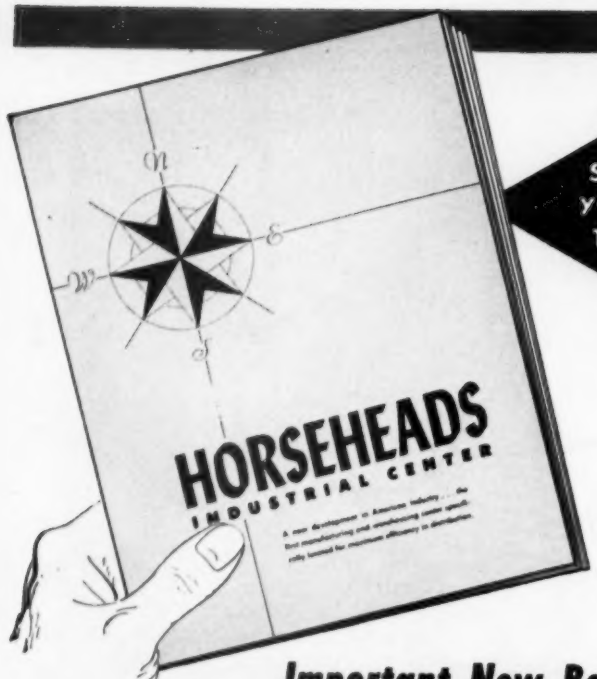
Manufacturers requiring motors 1/20 to 5 h.p. can profitably use these reference guides. Specifications, construction and performance data are included for these motors:

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- ☐ M409-C Integral
- ☐ M409-D Fan-Duty
- ☐ M409-E Oil-Burner
- ☐ M409-F Jet Pump
- ☐ M409-G Blower



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". . . this is not the Hobby way of running a job . . ."

GOP WELFARE starts on p. 116

became entrenched during 20 years of Democratic rule.

But there were additional complications for Mrs. Hobby. When she took over as Federal Security Administrator on Jan. 21, a mountain of paperwork was waiting for her. Her predecessor, Oscar Ewing, had been out of the country since November. The assistant administrator, John I. Thurston, had resigned Jan. 2. Ewing's sole remaining top aide, Rufus E. Miles, Jr., was swamped.

• **More Complications**—The job got tougher almost before Mrs. Hobby got her feet under her desk.

From the White House came orders to review the Ewing-Truman FSA budget and cut out the fat, if any.

Congress had legislation to transform FSA into a new department, and the legislators wanted to talk it over with the prospective new secretary. Officials of firms regulated by FSA's Food & Drug Administration wanted to congratulate Mrs. Hobby—and get some idea of what kind of regulator she would be. Local government officials were anxious to see her for similar reasons—she administers millions of dollars of federal aid funds for relief, for school and hospital construction, child welfare, and other purposes.

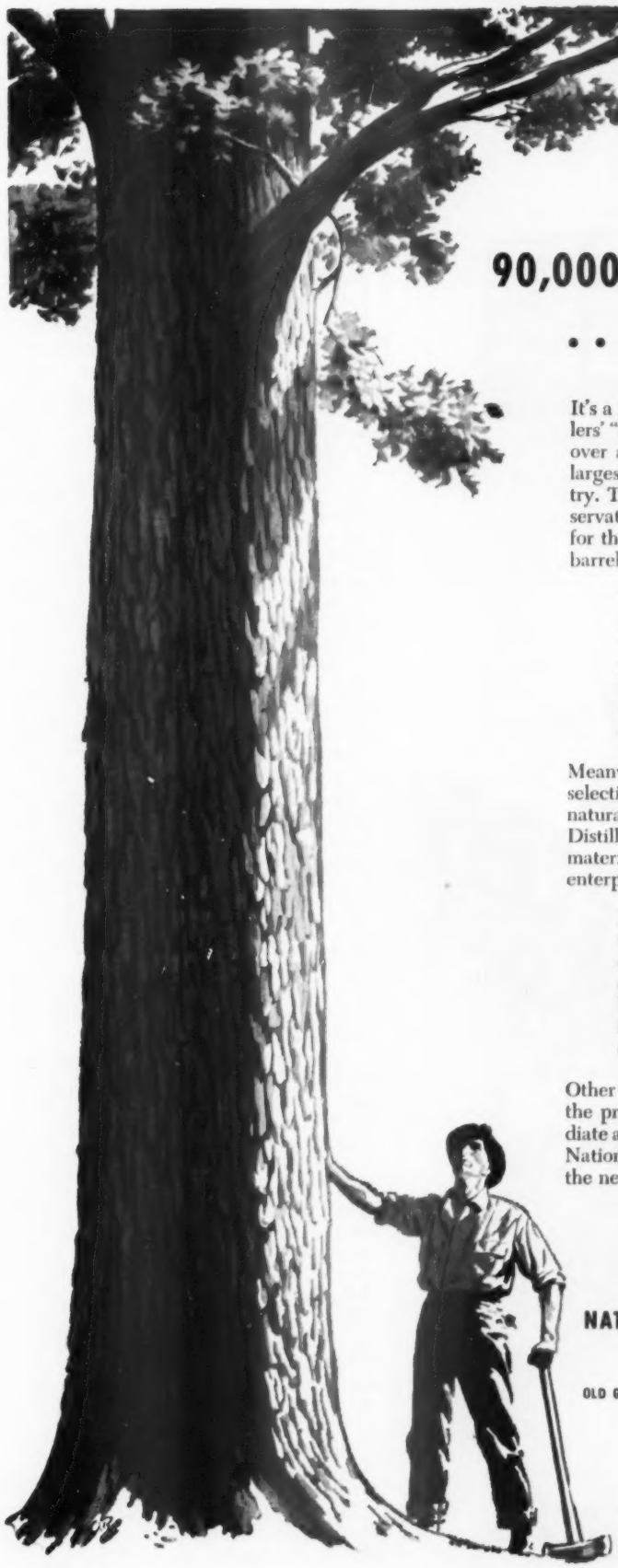
Mrs. Hobby got used to working nights and weekends. So did the only aide she brought to Washington with her, Jack B. Beardwood, a former newspaperman who had been associated with her during the campaign when she headed the Democrats for Eisenhower.

• **Hands Tied**—From the start she had to make all kinds of operating decisions—which is not the Hobby way of running a job. As editor and publisher of the Houston Post—the job she quit to come to FSA—she delegated details to her staff, concerned herself only with major policy problems. She operated the same way as head of the Women's Army Corps in World War II.

But in both jobs, she had personally selected her own top aides. At FSA she quickly found she could hire only two or three assistants. Virtually every other top job in the agency was protected by Civil Service or was otherwise beyond her control.

• **Cutting Red Tape**—Mrs. Hobby took the problem to the White House. Chiefly at her urging, the President ordered a number of top policy jobs throughout government removed from the Civil Service rolls.

This gave Mrs. Hobby the right to fill six top FSA jobs, including the general counsel. It also withdrew Civil



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White oak barrels carefully charred to an exact depth are essential to the proper aging of the many fine whiskies sponsored by National Distillers. Slowly, gently throughout the aging process, the crisp brown layer of wood beneath the just-right char produces rich golden color, distinctive aroma and smooth mellow flavor typical of National's celebrated whiskies.

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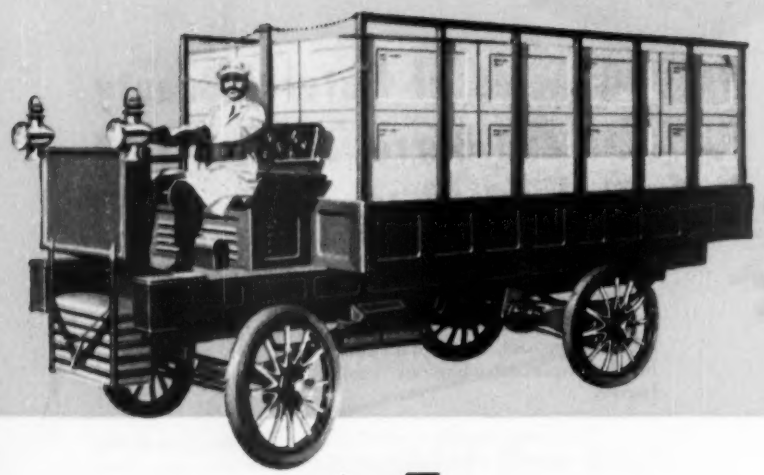
Other activities include continuing product research, the production of petro-chemicals, solvents, intermediate and finished chemicals. Such diversification helps National Distillers Products Corporation better serve the needs of a growing list of important industries.

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Service protection from the head of FSA's biggest, most politically potent unit, the Social Security Administration. The holdover Commissioner of Social Security, Arthur J. Altmeyer, resigned a week or so later. His successor will be named by the President, but he will be the man Mrs. Hobby wants.

• **Triumph**—Reorganization of FSA into HEW gave Secretary Hobby control over most of the other jobs she wants to have a say about. She still cannot remove two important underlings, the Surgeon General of the Public Health Service and the Commissioner of the Food & Drug Administration. So far, she says, she hasn't seen any reason for changing the professional, nonpolitical status of either official.

• **24-Hour-a-Day Job**—HEW's bureaucrats are nervous about something else, too. Despite her heavy load of "must" chores, she started interviewing officials right down to the division and branch levels early in the game. Some veteran bureaucrats came out of these sessions badly shaken. One of them explained: "My God, she knows as much about my job as I do!"

This probably comes close to the truth. After long days on the job—she still puts in nine hours a day five days a week, five hours on Saturdays, an occasional Sunday—she takes a batch of work home with her.

She interrupts this routine only to check in with her family. She talks almost nightly by telephone with her husband, former Gov. of Texas William P. Hobby. She recently made a flying trip to Houston to be with him on his 75th birthday, got back the next morning in time to attend a Cabinet meeting. Her 21-year-old son, William P., Jr., a student at Rice Institute, and her daughter, Jessica, 16, share the same birth date, Jan. 19, with her.

In addition to the weekly Cabinet meetings, Mrs. Hobby sees Eisenhower once or twice a week. She stops at the White House on her way to work.

She's not a mere spectator at the Cabinet meetings, either. The Cabinet listens especially when she talks about public relations matters—who will be offended or pleased by what kind of statement or action. She has been well schooled in this kind of thing.

• **Political Career**—The daughter of a Texas legislator, Mrs. Hobby became Parliamentarian of the Texas House of Representatives in 1925, at the age of 21. Starting in 1931 as a research editor, she spent 20 years with her husband's newspaper. But her toughest public relations job was as head of the Women's Army Corps—an organization she still follows closely.

Her career and her ardent work in the election campaign made Mrs. Hobby a natural as Eisenhower's lady-

in-the-Cabinet. Her extracurricular activities—as a leader in drives of the American Cancer Society, the Red Cross, and community funds—made her choice for HEW just as logical.

Businessmen can make two mistakes about Mrs. Hobby, either of them fatal. They can figure that, as a woman, she doesn't really know much about business. Or they can get the idea, for the same reason, that she can be pushed around.

• **Strictly Business**—Her insistence on having full control over the Social Security Administration proves conclusively the businesslike workings of her mind.

She needed only to look at her budget—$1.7-billion, exclusive of funded activities like old age pensions—and come up with that conclusion. In addition to the pension system, Social Security, through its Bureau of Public Assistance, hands out $1.3-billion a year to the states in relief funds.

• **No Short Cuts**—There's been some concern around Washington recently that Mrs. Hobby might make life less complicated for some businessmen by telling the Food & Drug Administration to be less zealous in its enforcement activities. This came about because of her suspension of FDA's program for inspecting wheat for filth and weevils.

FDA's wheat inspection program started four years ago. It already had resulted in considerable improvement in handling and processing of grain by the flour mills. Next step was to get at storage—the elevator operators.

The storage men, who came under preliminary regulations last October, suddenly balked a few weeks ago. Impliedly or otherwise, they threatened to refuse to store any more wheat. At the time, the Agriculture Dept. was about ready to take title to some 400-million bu. under its price support program.

Mrs. Hobby flatly refused to abandon the whole wheat inspection program. She did agree to hold up further inspections pending a study by a 15-man committee. The committee is packed with grain-handling men and their friends. But HEW staffers will sit on its deliberations. And the compromise, if any is arrived at, had better be good. HEW is not bound to abide by it.

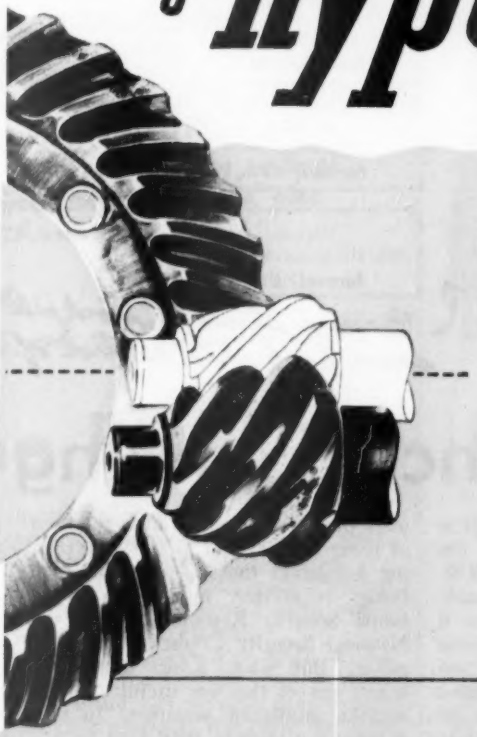
The fracas over wheat resulted in charges from some Washington quarters that Mrs. Hobby had let down her FDA regulators. But bureaucrats who sat in with her during the infighting say it produced nothing at odds with a statement she made shortly after becoming a Cabinet officer.

"We are not looking for trouble," Mrs. Hobby said, "but, where we have a law to enforce, we'll enforce it. If the law is bad, that's the affair of Congress—not ours."

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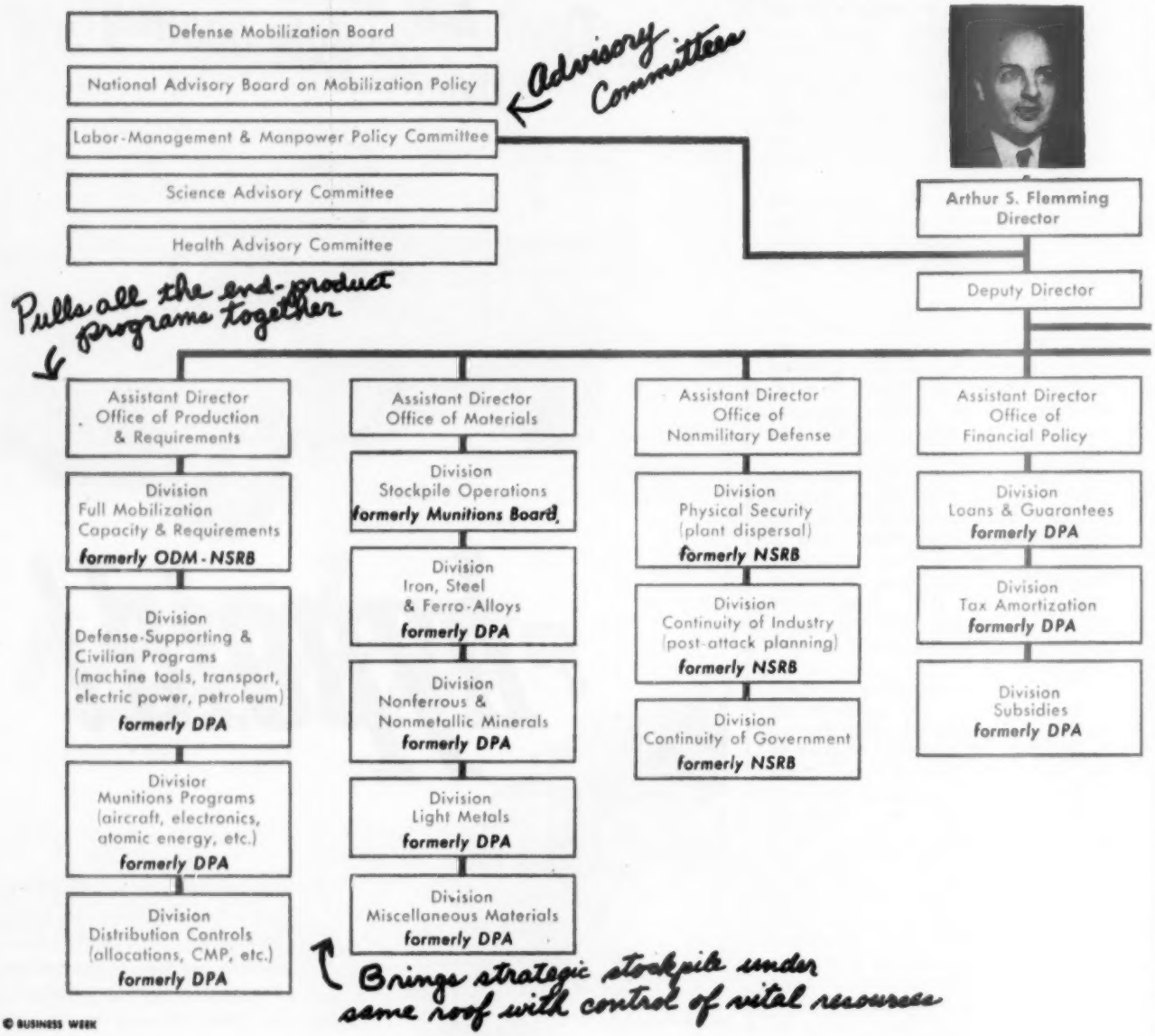
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New ODM: Pulling Together a Fresh



© BUSINESS WEEK

Emergency Planning under One

Next time a war comes, Washington will be better prepared to meet the emergency than it was in June, 1950.

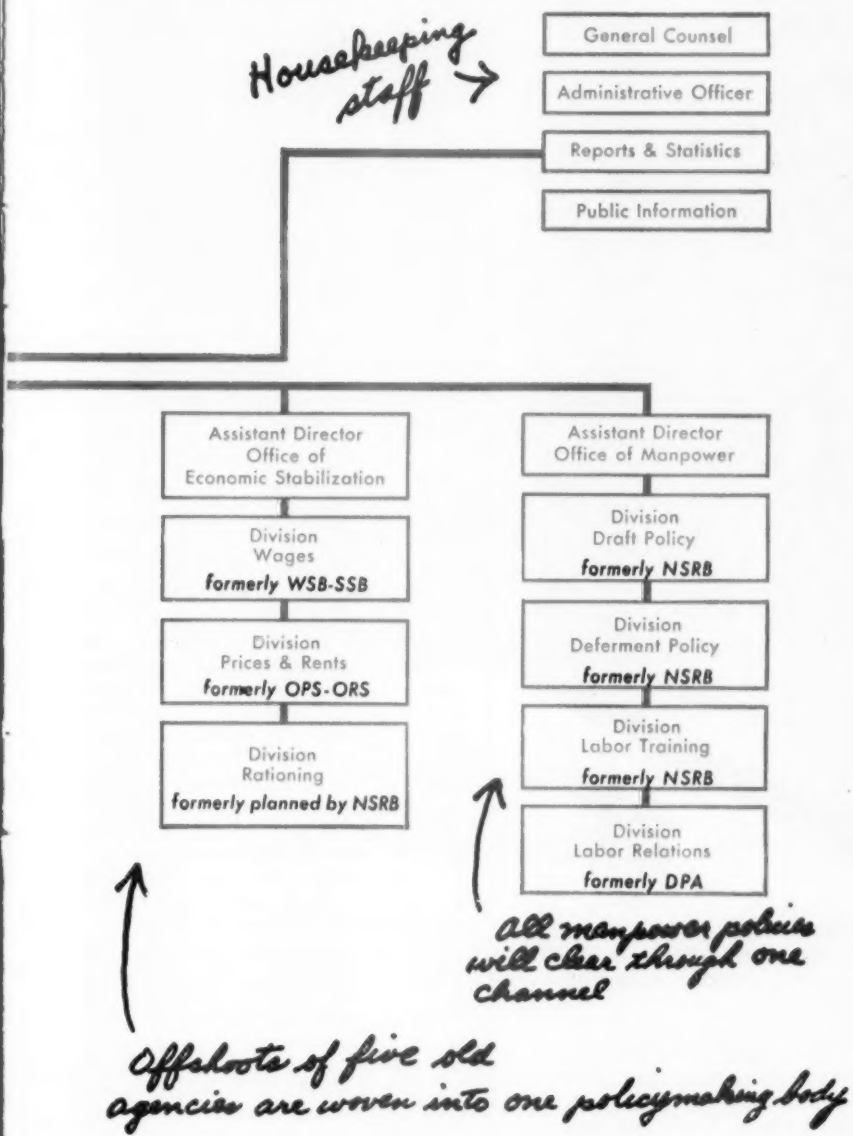
The U.S. learned some valuable lessons from Korea, so Eisenhower is creating a new kind of peacetime mobilization agency to capitalize on those lessons. This agency will have not one but two main functions: to plan for both full and partial mobilization, and to serve as the nucleus around which the actual controls agencies can be swiftly built when needed (chart).

• **Tightening Up**—Congress and Truman thought they had done this sort of thing after World War II, by passing legislation that provided for such things as military unification, a National Security Resources Board, the National Security Council, and stockpiling. But when Korea broke out, hardly any of this was useful in meeting the immediate situation. In fact, it seemed a miracle, with laws to pass and new agencies to create, that controls actually began to take hold within six to nine months.

Now, Eisenhower is trying to make sure this doesn't happen again. He is beefing up the National Security Council and has sent to Congress a reorganization plan to create a new office of defense mobilization—a permanent agency whose director will be on a par with Cabinet members. The new agency will bring under one roof in the old State building all the industrial mobilization authority that was scattered all over town when Korea broke out.

Head of the new ODM will be 48-year-old Arthur S. Flemming, a bureaucrat on leave as president of Ohio Wesleyan University, who has had 21 years

Pattern for Preparedness



Agency, One Roof

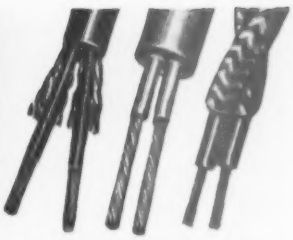
of solid Washington experience and carries a lot of weight in the capital.

• **Holdovers**—Eisenhower inherited a labyrinth of government agencies handling nonmilitary defense matters. The Office of Defense Mobilization was working on short-run mobilization plans, the National Security Resources Board on long-range plans. But it was hard to tell where one's function ended and the other's began.

Reporting to ODM were the vestiges of the post-Korea emergency agencies: (1) the Defense Production Administration, a staff bureau concerned with industrial expansion, materials allocations, and priorities, defense and essential civilian requirements, defense procurement; (2) the Economic Stabilization Agency, concerned with wage, price, and rent controls.

Outside the executive office of the President, the Defense Dept.'s Munitions Board was running the strategic stockpile program. But there was little coordination with such related DPA functions as plant expansion, materials conservation, and metals allocations.

• **Revamped**—The new President decided quickly that the nonmilitary



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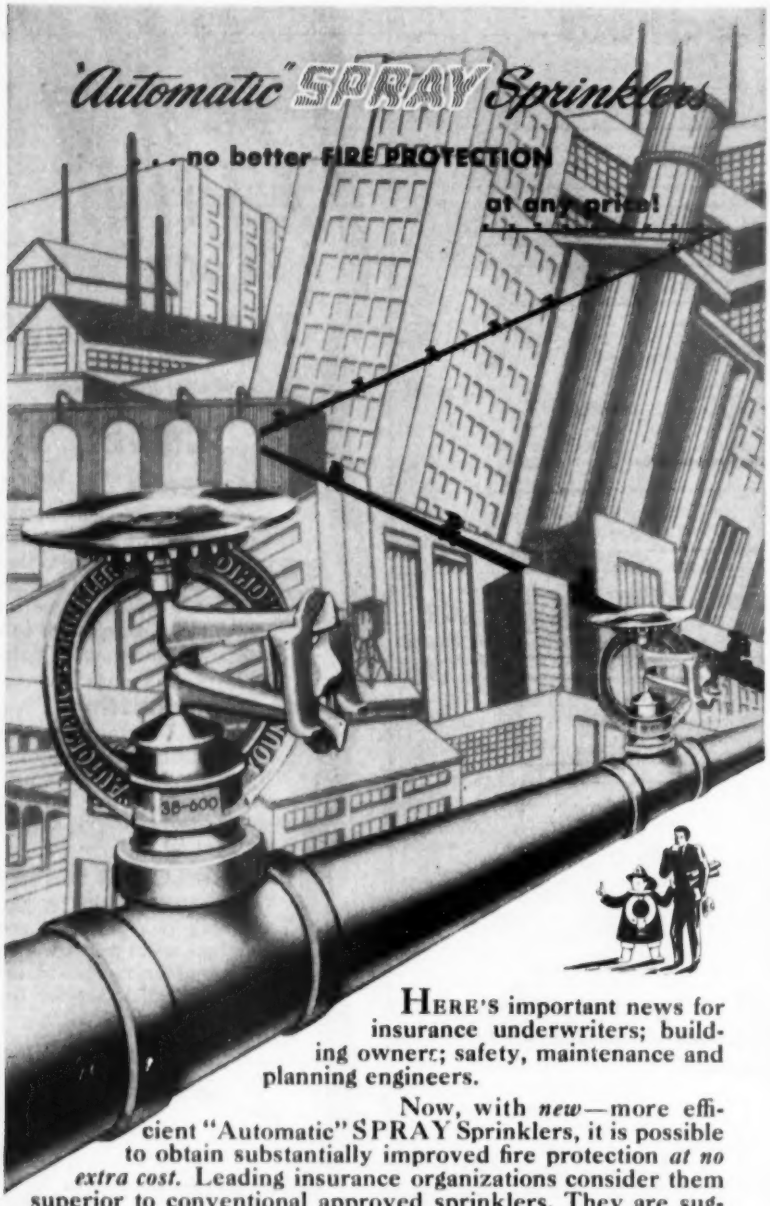
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defense bureaucracy had to be revamped for two reasons. First, most of the post-Korea mobilization buildup was accomplished or safely under way; the need for operating control agencies had disappeared. Second, a better organization was needed for any future emergency.

This organization was spelled out in Reorganization Plan No. 3, sent to Congress Apr. 2.

• **Better Yet**—The plan revitalizes ODM, making it a permanent and statutory agency. It assumes the functions of NSRB, which is abolished, and the stockpile responsibility of the Munitions Board, also abolished.

The ODM reorganization will automatically become legal in mid-June, unless Congress votes it down. No serious objection is anticipated.

• **Something New**—In the meantime, the Administration has mapped out plans for the new ODM (chart). Six major offices, each headed by an assistant director, have been tentatively set up on paper: Here are their functions:

• Production and requirements. To continue studies on requirements and capacity for full mobilization; to coordinate output and plan expansion goals for defense-supporting and civilian programs, such as machine tools, electric power, petroleum, and transportation; to expedite defense programs such as munitions, atomic energy, aircraft, electronics, and tanks, etc.; to control the defense materials system and any other distribution controls.

• Materials. To take over the stockpile program and handle expansion programs on raw materials.

• Financial policy. Headquarters for tax amortization, loan guarantees, direct defense loans, and subsidies for marginal production of critical materials, if authorized.

• Nonmilitary defense. To plan for governmental and industrial operations under direct enemy attack.

• Manpower. To assume highest-level responsibility on draft deferment and industrial training.

• Economic stabilization. To plan for wage-price-rent control and rationing.

• **Advice**—The new agency will lean heavily on advisory committees. Plans are to continue these old ODM committees: Defense Mobilization Board, National Advisory Board on Mobilization Policy, Labor-Management Manpower Policy Committee, Health Advisory Committee, and Science Advisory Committee.

Operating functions in the mobilization field will still be farmed out by ODM. A handful of people will stay at Commerce as NPA, at Interior for the jobs delegated to that department, and so on.



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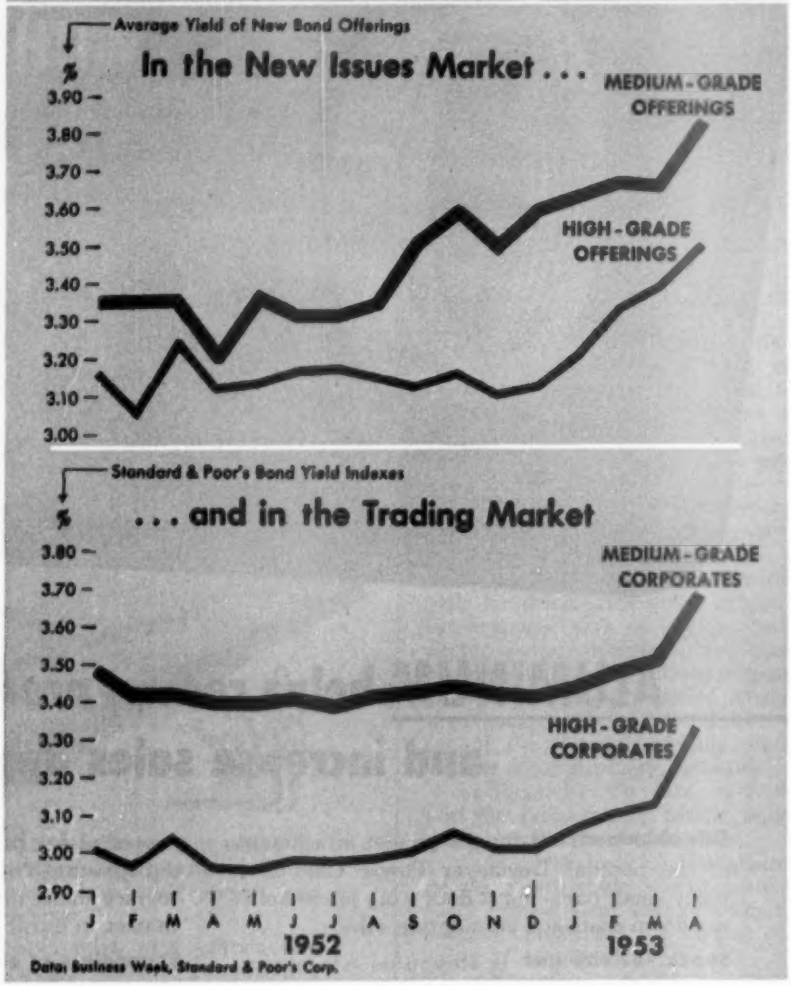
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FINANCE

How Money Rates Have Zoomed



Data: Business Week, Standard & Poor's Corp.

Money: It Has Been Dearer

There's no doubt about it, it costs more to borrow money today than it has in a long time. And there are plenty of authorities who say that money rentals are going to be still higher before they finally level off.

In perspective, though, the rates aren't sensational. They're a long way from all-time records, despite the hullabaloo of borrowers with short memories or short experience. What makes them look "historically high" is the contrast with the recent years when borrowers rode the lushest gravy train of all.

• **Easy Money**—That gravy train was the easy money era of the New Deal-Fair Deal. If you make your comparison with the interest rates of three or four years ago, the present cost of money may seem high. But to anyone who was in business in earlier years, the present rates may actually seem cheap.

Several recent market events highlight the contrast between the near and the far past.

Late last month Detroit Edison Co. launched a $40-million bond issue. The syndicate that won the AA-rated 35-year issue in competitive bidding decided in advance that two things were essential to the public sale:

• The issue should carry a 3⅞% interest rate, the highest in almost a generation for a bond of this rating.

• Their bid would have to be high enough to insure a public offering at

a price that would allow a 3.75% yield to investors.

As it turned out, this wasn't enough; the issue quickly turned into a "work out." To cut its losses, the syndicate hastily dissolved with a reported half of the issue still unsold. The bonds were left to find their own level in a free market. Finally, when they had sunk to a point where they offered a better than 3.8% yield, they really began to move.

Clearly, these borrowing costs stack up as high compared with other deals a few years ago. Thus, three years ago, Detroit Edison was able to sell $35-million 35-year bonds to the public on a 2.65% yield basis. And way back in December, 1940, a $50-million issue had moved at the same level.

The picture is very different, though, if you dig back further, to the period after World War I. In 1921, a new offering cost Detroit Edison a rate well over 7.1%; an issue of 6% bonds had to be sold at 88% of par.

• **Failure**—The same picture emerges from last week's abortive competitive bidding for $30-million of 25-year debentures issued by Southern Bell Telephone & Telegraph Co. Four syndicates of investment bankers entered bids for that AAA issue; all four were rejected by Southern Bell. Each of the bids had specified a 3⅞% coupon, and the "best" of them had stipulated a price that would have permitted a public offering on a 3.75% yield basis. Apparently, Southern Bell thought this rate too high for a company of its standing. It announced that all bids were rejected pending a "further study of market conditions."

Comparisons with the recent past when Southern Bell sold the four debenture issues it now has outstanding make it clear why the company found the present cost so high:

• In 1947 underwriters were able to sell $75-million 40-year debenture 2⅞s at 102.8% of par.

• In 1945 an issue of $45-million 40-year 2¾s went for 101.12.

• In 1942 $35-million 30-year 2¾s went for 98½.

• In 1939 $25-million 40-year 3s were sold at 107½.

Once more, the picture changes completely as you turn the clock back further. In 1922 Southern Bell had to pay over 5.75% to fill its needs for new money. Bonds sold then, bearing 5% coupons, had to be priced at 91⅜% to insure their sale.

Detroit Edison and Southern Bell weren't the only companies that had to go high to borrow money in the years after World War I. In the first half of 1923 companies such as Louisville & Nashville RR, Bell Telephone of Pa., and Illinois Bell Telephone had to price long-term 5% mortgage bonds at levels to yield from 5.10% to 5.23%. In the same period, 6% issues were sold by Ohio Public Service, Youngstown Sheet & Tube, Illinois Power & Light, and Anaconda Copper to yield 6.05% to 6.25%. Pure Oil sold first mortgage 6½s on a 6.60% basis, while Armour & Co. priced 5½s to yield 5.85%.

• **Further Back**—Digging still deeper into Wall Street's archives reveals more supporting evidence. There is Baltimore's Consolidated Gas, Electric Light & Power Co., which last week announced it would soon offer at competitive bidding $25-million more mortgage bonds of the type it already had outstanding. Undoubtedly, that money is going to cost Consolidated considerably more than previous postwar years when it was able to sell 2¾% bonds at prices ranging from 100.67% to 101.4367% of par.

The higher cost will be a far cry from a record, though. Consolidated still has outstanding—but due next year—some 4½s that were originally offered at 99% of par in 1904, and 95% in 1913. And in the early 1920s, underwriters had to set a price of 99½% of par to sell 30-year 5½% bonds for this high-grade operating company.

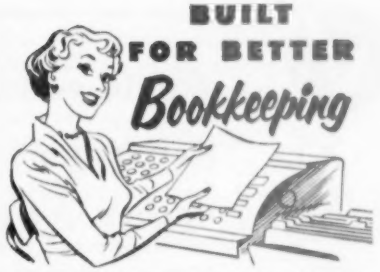
• **Bank Loans, Too**—The same sort of thing applies to the costs of bank loans. They are up, and up substantially. But once again, they only seem high. In the past 20 years every corporate borrower has become too used to making only "token" payments for the money it got—as many a bank's loan officer will admit off the record.

It's true that today's "prime rate"—the rate that banks charge for loans to depositors who enjoy top credit standing—is the highest since 1934. But it is equally true that in 1919-1930 period the prime rate was never so low as the current 3¼%.

The end of World War I, like the end of World War II, brought a gigantic wave of corporate new-money security offerings and bank loans. By mid-1920, the prime rate had been pushed up to 7% from the 5½% at the start of 1919. Government 4¾% bonds had been forced down to levels that offered yields as high as 6.70%.

• **End of Boom**—When the postwar speculative boom burst, interest rates began to climb down from their earlier pinnacles. By the mid-20s the prime rate had dropped to 3½%, but it didn't stay there long. By 1928 the lowest bank borrowing rate had advanced to

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WALTER A. PETERSON, *Treasurer*
May 4, 1953.

See CLUES on page 186

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5½%. With brokers' loans sopping up $5.2-billion of bank credit in 1928, the prime rate was upped another notch to 6% the following year.

Then came the flood. Soon plenty of credit was available, but demand had vanished. The prime rate dropped to an all-time low of 1½% in 1933. There it remained, with minor exceptions, for 14 long years. It was not until 1947 that the prime rate really started to move up again.

• **Outlook**—Thus far, only Southern Bell has seen fit to defy the "verdict of the market place," by withdrawing its issue.

Bank borrowers haven't been frightened off. And New York State didn't hesitate last week to accept the most costly bid in almost 20 years in order to dispose of $125-million Thruway bonds. General Motors Acceptance Corp. has announced that it is negotiating an early public marketing of a "substantial" amount (Wall Street guesses run from $150-million to $200-million) of new debentures of "relatively short maturity."

What this adds up to is simply this: Despite all goings on, there is still plenty of money available for anyone who will pay the realistic rental charges—not the highest on record—that investors are now demanding.

Banks Pay a Premium To "Investment" Savers

Mellon National Bank & Trust Co. and Peoples First National—Pittsburgh's two largest banks—are offering a premium interest rate to customers who are willing to put away savings for three years.

The banks are issuing to patrons new $100 three-year 2½% savings certificates with interest compounded quarterly. This is the highest rate an insured bank may pay under federal regulations, and compares with 1% compounded twice a year, which is paid on the bank's regular savings accounts.

The certificates, explains Frank R. Denton, Mellon National vice-chairman, are being offered to fulfill the needs of "investment" savers—those who accumulate savings and leave them untouched for long periods—as compared with "budget" savers who deposit and withdraw their funds frequently, much as in a checking account.

The new certificates may be turned in by purchasers on 90 days' notice before the end of the three-year period, but in such cases the rate of interest they get is less: 1% if the certificate is redeemed in the first year, 1½% in the second year, and 2% if cashed before maturity in the third year.

The certificates may be used as collateral for loans up to full face value.

More equipment rusts out than breaks down. Corrosion is a destructive force that every user of fastenings faces.

Many manufacturers today have found that fastenings by Harper mean longer life for equipment, better appearance, well-satisfied customers—because they resist corrosion.

The H. M. Harper Company is the world's largest exclusive producer of fastenings in brass, naval bronze, silicon bronze, Monel, nickel, aluminum and all stainless steels. Over 7,000 items in these metals are carried in stock, bringing the advantage of a single source of supply for all fastenings.

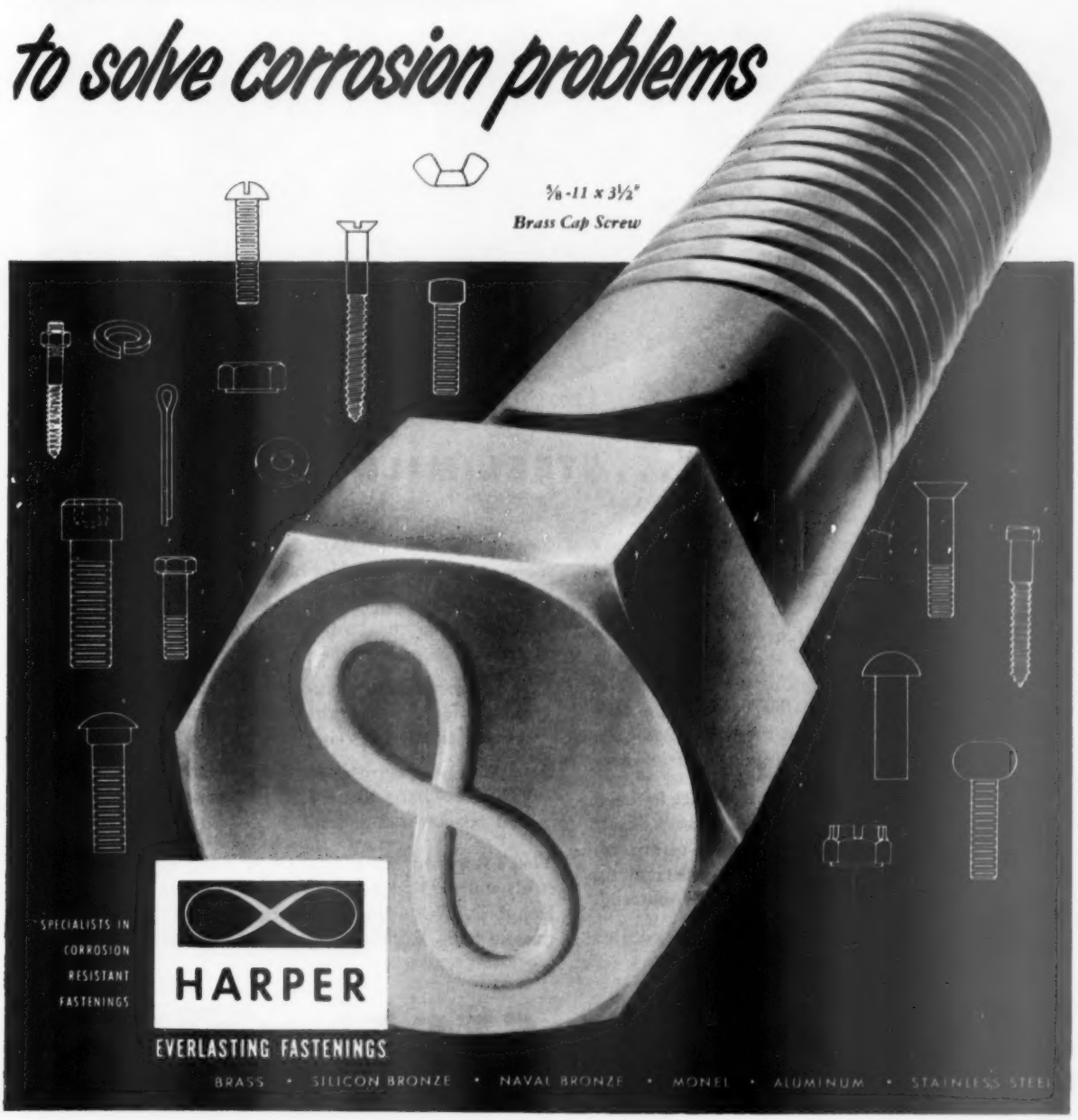
Harper distributors are located in all market areas, and back of these distributors is a complete metallurgical and engineering service, ready to assist in solving any corrosion problem.

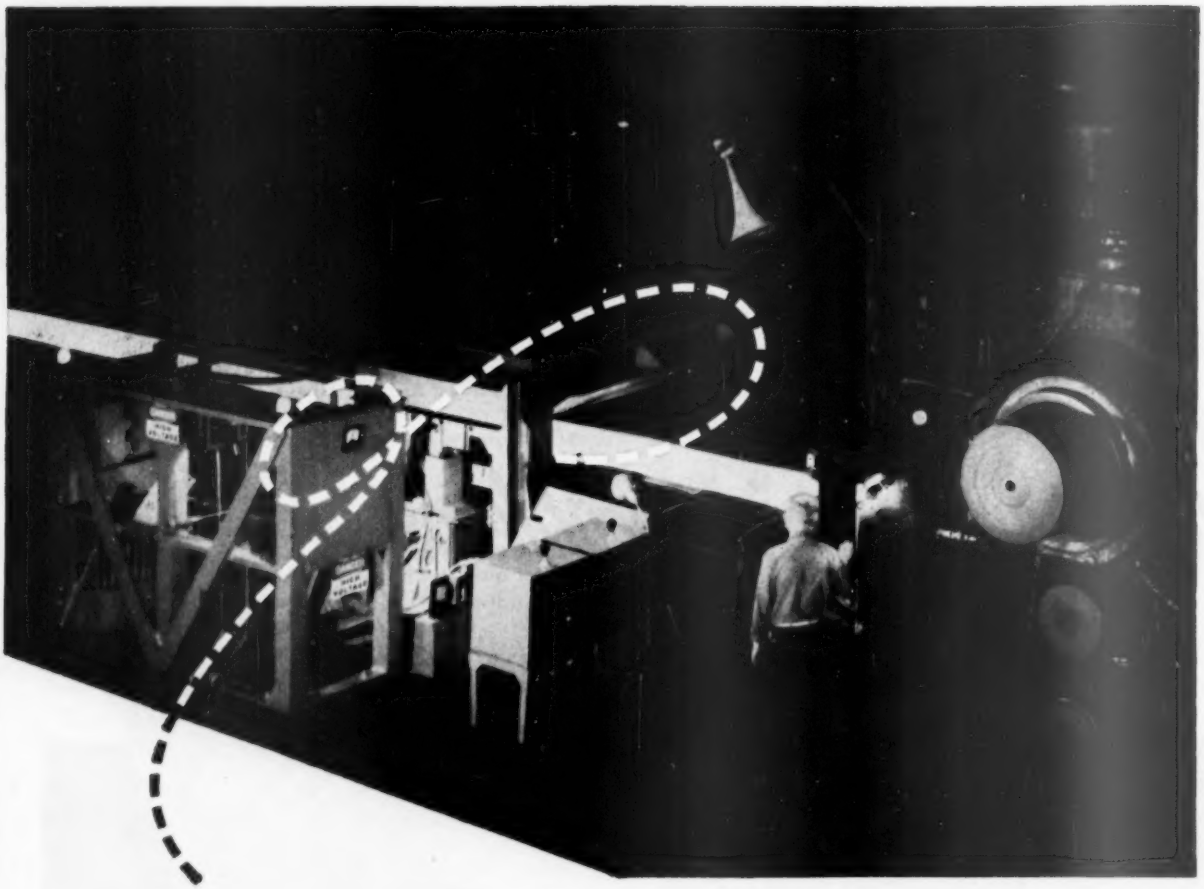
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to solve corrosion problems





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Under that white-hot strip of steel is an X-ray tube. Close above the steel is a specially-designed electronic measuring device.

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Thus, Republic employs modern science to make possible better thickness control of steel sheets and strip. X-ray gaging helps to eliminate variances that might upset your fabricating processes and result in lost time and material.

Such innovations in quality control are Republic's continuing policy to protect its customers from waste. They are examples of Republic's 3-FOLD SERVICE FOR STEEL USERS:

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3. to help *you* apply *your* methods to steel to produce what you need in the most efficient and economical manner.

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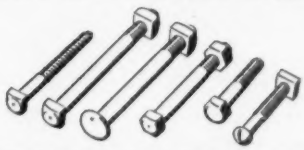
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WORLD'S WIDEST RANGE OF STEELS AND STEEL PRODUCTS

REPUBLIC STEEL

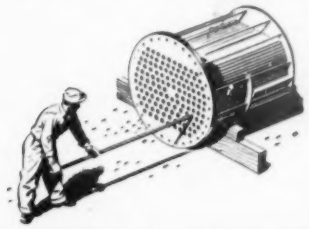
Steels and steel products for almost every need. Here are a few of them.



UPSON QUALITY BOLTS, NUTS AND RIVETS—Whatever your fastening problem, you'll find a ready answer in the Republic Upson line of headed and threaded products. More than 20,000 shapes and sizes are made to fit right and hold tight.



AMMONIUM SULPHATE—Republic now is one of the largest producers of top-analysis Ammonium Sulphate—available in bulk for blends and mixes of nitrogenous fertilizers.



ELECTRUNITE HEAT EXCHANGER TUBES—Time-proved pressure tubes for heat exchangers, evaporators and condensers—with all the advantages of electric welding. Wide range of sizes and gages—in carbon and stainless steels.

Republic Steel Today:

ore mines here and abroad; lake and ocean-going ships; coal mines; furnaces and huge steel mills, North and South; steel fabricating plants across the Nation and in Canada; sales offices in principal cities; PLUS 70,000 men and women working together to produce steels and steel products to help build and protect a stronger America. Republic Steel Corporation, General Offices, Cleveland 1, Ohio.

The Nation's Biggest Money-Makers

Company	Net Income (Thousands of Dollars) 1952	Record Year	1939	1952 vs. Record Earnings Year	1952 vs. 1939
General Motors	558,721	834,044 (1950)	183,290	−33.0%	+204.8%
Standard Oil (N. J.)	519,981	606,461 (1951)	89,129	+ 1.6	+483.4
American Telephone	406,681	←,— (1952)	190,281	....	+113.7
E. I. du Pont de Nemours	224,065	307,668 (1950)	93,219	−27.2	+140.4
Texas Co.	181,848	←,— (1952)	32,887	....	+451.1
Standard Oil (Calif.)	176,000	←,— (1952)	17,883	....	+873.2
Socony-Vacuum	171,000	←,— (1952)	34,453	....	+396.6
General Electric	151,720	178,484 (1950)	41,236	−12.5	+267.9
U. S. Steel	143,000	315,484 (1950)	41,120	−33.3	+249.4
Gulf Oil	141,820	183,330 (1948)	15,316	− 7.6	+826.0
Standard Oil (Ind.)	119,981	148,697 (1951)	34,143	−19.3	+251.4
Sears, Roebuck	110,286	←,— (1952)	30,996	....	+255.6
Union Carbide	98,321	126,113 (1950)	35,847	−20.8	+174.3
Bethlehem Steel	90,901	123,976 (1950)	24,638	−26.1	+268.9
Shell Oil	90,873	111,306 (1948)	11,318	−18.4	+702.9
Sinclair Oil	86,478	←,— (1952)	7,541	....	+1046.7
Kennecott Copper	86,151	93,807 (1948)	33,947	− 8.2	+153.8
Chrysler Corp.	78,697	132,170 (1949)	36,880	−40.5	+113.4
Phillips Petroleum	75,296	←,— (1952)	9,833	....	+665.6
Santa Fe	70,738	82,142 (1950)	8,503	−13.9	+731.9
Union Pacific	68,727	69,768 (1950)	18,967	− 1.5	+262.4
Westinghouse Electric	68,582	77,923 (1950)	13,856	−12.0	+395.0
Southern Pacific	61,942	80,280 (1942)	6,135	−22.8	+909.6
International Nickel	58,891	62,878 (1951)	36,847	− 6.3	+59.8
International Harvester	55,656	66,715 (1950)	23,161	−16.6	+140.3

(Note: Ford Motor Co. does not make public its net income, but on the basis of unit sales and reports on assets, it undoubtedly is among the largest corporate earners.)

Bigger Scores for 1953?

General Motors Corp. again is the nation's biggest money-maker (chart). After racking up the largest net profits for any corporation for four consecutive years, "the Champ" in 1951 took second place to Standard Oil Co. (N. J.). In that year, the motor company earned only $506-million. Last year, however, GM climbed back to first place.

• **Forecast**—First-quarter earnings got the year off to a fast start. Does this mean some of the big money-makers will increase their net sharply over last year?

There's a good chance for such an increase. Note, for example, that net profits in 1952 of General Motors, du Pont, U.S. Steel, Union Carbide, Bethlehem Steel, Chrysler, and Southern Pacific ranged from 20% to 40% below their all-time record years.

Most of today's "big fellows," incidentally, have earnings several times those of prewar days. Companies with 1952 net income six to 10 times that of 1939 include Standard Oil of California, Gulf Oil, Shell Oil, Sinclair Oil, Phillips Petroleum, and the Santa Fe and Southern Pacific railroads.

This advertisement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus. This is published on behalf of only such of the undersigned as are registered dealers in securities in the respective States.

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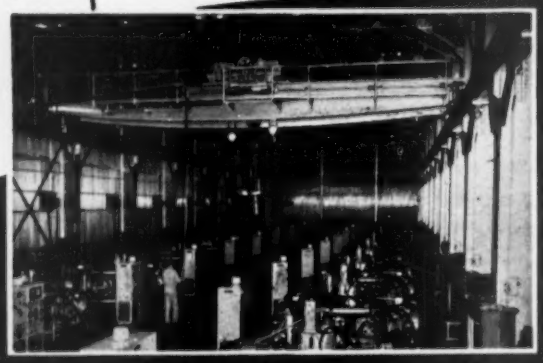
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FINANCE BRIEFS

Response: Holders of close to $419-million of Series F and G savings bonds—or a shade over 38% of $1.1-billion maturing before the end of the year—traded them for new Government 30-year 3¼s under the Treasury's offer last month. Those not turning in their bonds for the 3¼s can take cash at maturity. The Treasury had hoped around half of the F and G holders would accept the new 30-year issue.

•

Howard E. Simpson, executive vice-president of the Baltimore & Ohio RR, appears the logical choice for president of the railroad when Roy B. White moves up to chairman late this summer. White's move is dictated by B&O pension regulations.

•

Pacific Telephone & Telegraph has been authorized by the state of Washington to hike its rates an average of 4%. This will increase the company's revenues by about $1.7-million a year. The company had asked rises to yield it $5.6-million annually.

•

Ford Motor Co. plans "in the not too distant future" to begin issuing regular reports of sales and earnings, says Henry Ford II. The company's stock is privately held; hence it is not required to make public its sales or net profits.

•

Chicago & Eastern Illinois RR, which paid a common dividend of 50¢ a share last month—the first since 1943—wants to put payments on a regular basis. "We hope and feel that if earnings continue at the present level we can pay a like dividend semiannually from now on," says Clair M. Roddewig, president.

•

Foreign countries, attracted by rising yields on U.S. government securities, are said to be buying federal issues in preference to non-interest-bearing gold. In the four months ended Mar. 31, international transactions took $700-million of U.S. gold. In April: none.

•

Insured commercial banks in the U.S.—13,439 of them—last year rolled up a record net income of $990-million. This was 9% over the figure for 1951, according to the Federal Deposit Insurance Corp. Gross income, also at a new peak, exceeded $5-billion, a rise of 11% over the preceding year. Nearly $2.8-billion, or more than half the gross, came from loans.

•

Manufacturing firms had net income of $10.7-billion last year—10% below 1951—despite record sales, says the Federal Trade Commission.



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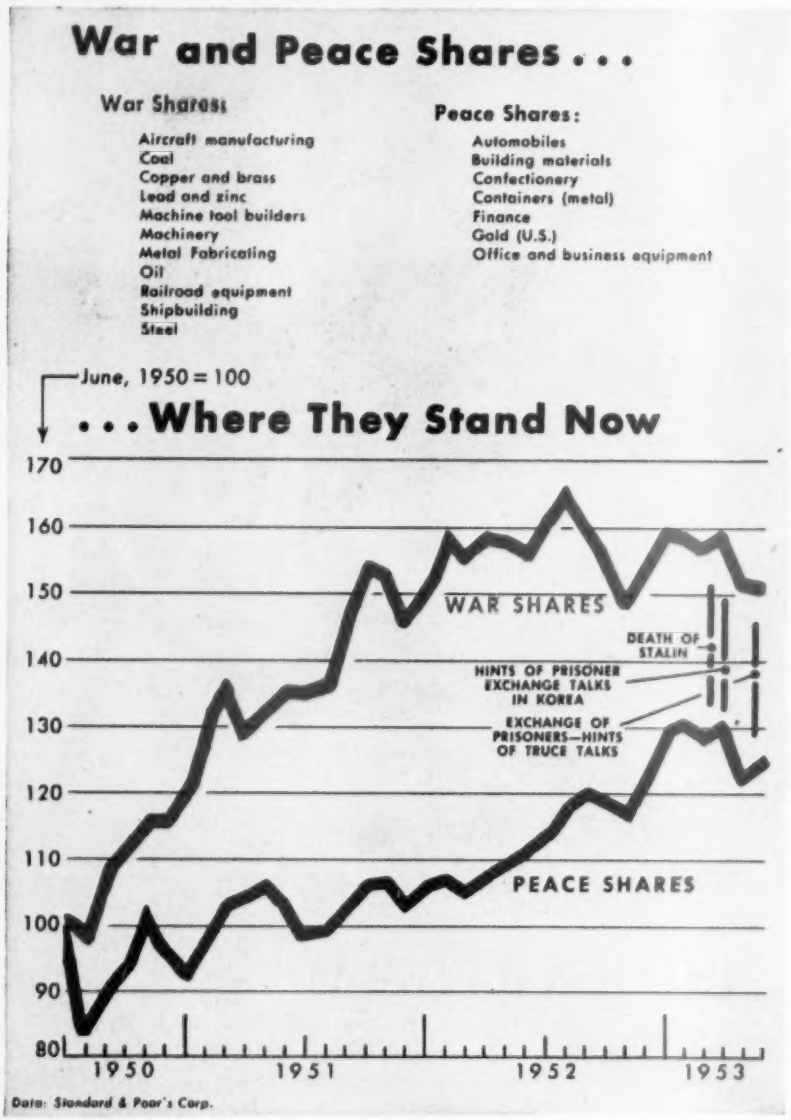
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THE MARKETS



The Gap Is Narrowing

What's the outlook for companies that produce arms, contrasted with those that turn out civilian products?

As the above chart shows, the spread between war and peace shares is steadily narrowing. It is possible that a firm truce in Korea could shrink the gap further. And it might narrow even more rapidly except that the companies making arms also are the main suppliers of the capital goods boom.

The "war babies" started a sharp upswing shortly after the Korean war began in June, 1950, and the rise carried them (in July of last year) to a point 64.5% above the pre-Korean level.

• **Slower**—Peace stocks, meantime, advanced more slowly. Last July—when the war babies hit their peak—the peace stocks were only about 19% above their pre-Korean point.

Since mid-1952, however, the war and peace shares have drawn closer together. The war stocks index compiled by Standard & Poor's now stands 50% above pre-Korea, and the peace stocks index 25.8%.

The death of Stalin, the exchange of prisoners in Korea, renewed truce talks, and a more conciliatory Malenkov are factors in the narrowing of the gap.

There is, incidently, no such thing

as a strictly war or strictly peace stock. War stocks are shares of companies likely to benefit more than others from a high-powered defense program. Peace stocks, on the other hand, benefit from strong demand for civilian products.

• **Profitable**—The main thing to keep in mind is this: For almost all industrial companies, making of their regular peacetime products is far more profitable than war goods. The margin of profit on war items as a rule is less.

And there is this to remember: A truce in Korea will not knock the props out from under our defense plans. A stretchout does not necessarily reduce backlogs—it merely spreads arms production and deliveries over a longer period.

War stocks cannot be bought or sold blindly. As in any other group in the market, there are divergent trends. A lot of Wall Streeters still like the aircrafts. The reason is simple. The rate of government spending for new planes will continue high.

Some of the current aircraft manufacturing backlogs include: Douglas, $2-billion, Lockheed $2-billion, Boeing $1.6-billion, and Consolidated-Vultee, Curtiss-Wright, North American, Republic, and United, $1-billion each.

Dividends Start 1953 with a Bang

Continued high sales and net profits are reflected in the record first-quarter dividend payments for business corporations as a whole (BW—May2'53,p28). Cash disbursements on common shares listed on the New York Stock Exchange were almost $1.4-billion, topping the same quarter a year earlier by 5%.

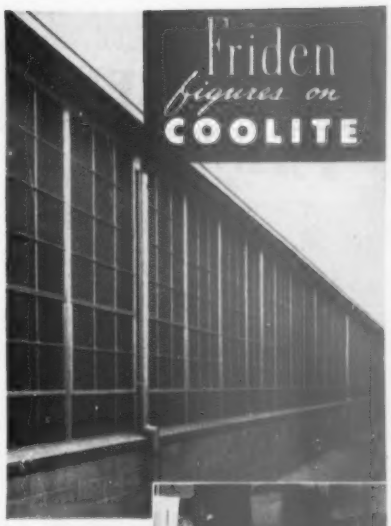
It was the 11th consecutive first quarter in which payments exceeded the preceding year's period.

Of 1,067 common stock issues traded at Broad and Wall Streets, 831—or 78%—paid dividends. There were 616 companies that voted the same amount as in the first 1952 quarter; 128 increased payments; and 118 lowered them. The 118 included 31 that paid something a year ago, but this year omitted first-quarter payments.

As the table below shows, the biggest percentage increase was in the financial companies—86.6%. This sharp rise was due, in part, to the fact that five companies (Continental Insurance, Fidelity-Phenix, Lehman Corp., Transamerica, and Webster Investment Co.) paid cash dividends this year, after skipping first-quarter 1952.

Owners of shares in utilities, petroleum and natural gas, chemical, and automotive companies still got the lion's share of the dividend dollars. Together they received 54.9% of the total for the quarter, compared with 54.7% a year ago.

Stock Group	No. Issues in Group	No. of Dividend Payers	Higher	Same	Reduced	Total First-Quarter Dividends (000 omitted) 1953	1952	% Change 1953 vs. 1952
Aircraft	27	14	3	10	2	$9,023	$8,505	+ 6.1%
Amusement	24	15	1	11	4	9,268	10,853	−14.6
Automotive	71	56	7	44	10	135,403	134,462	+ 0.7
Building trade	30	25	2	21	3	13,002	12,163	+ 6.9
Chemical	86	72	4	56	12	137,784	136,555	+ 0.9
Electrical equipment	24	18	1	16	1	36,741	36,163	+ 1.6
Farm machinery	7	7	..	4	3	17,969	20,077	−10.5
Financial	33	22	8	11	3	30,992	16,609	+86.6
Food products, beverages	69	56	7	43	8	46,836	48,186	− 2.8
Leather, leather products	10	8	..	8	..	5,460	5,240	+ 4.2
Machinery, metals	107	89	18	62	13	47,626	44,510	+ 7.0
Mining	41	24	1	20	7	47,289	46,960	+ 0.7
Office equipment	10	9	1	8	..	8,929	7,472	+19.5
Paper, publishing	37	30	4	23	3	24,239	23,239	+ 4.3
Petroleum, natural gas	49	44	6	34	5	230,857	222,405	+ 3.8
Railroad, railroad equipment	81	51	8	41	4	71,411	67,753	+ 5.4
Real estate	10	7	3	4	..	3,580	3,273	+ 9.4
Retail trade	71	58	7	46	6	68,029	65,855	+ 3.3
Rubber	9	9	1	6	2	12,965	12,049	+ 7.6
Shipbuilding, operating	10	7	1	6	..	3,442	3,238	+ 6.3
Steel, iron	37	29	1	23	6	54,346	55,117	− 1.4
Textile	44	33	5	21	11	17,798	21,238	−16.2
Tobacco	15	12	1	10	3	23,754	22,262	+ 6.7
Utilities	102	92	29	60	4	240,914	213,010	+13.1
U.S. Co.'s operating abroad	25	13	4	7	2	15,452	13,207	+17.0
Foreign companies	17	13	3	9	2	33,016	31,564	+ 4.6
Other companies	21	18	2	12	4	10,296	9,938	+ 3.6
Totals	1,067	831	128	616	118	$1,356,420	$1,291,829	+ 5.0%





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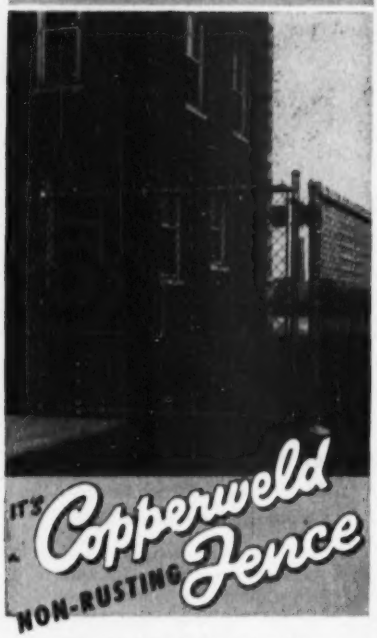


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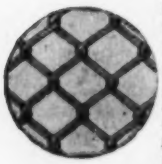
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Back on the Rails

WORCESTER—Worcester Street Ry. lost money steadily for years. Last year it finally threw in the towel. It had appealed to the state for fares high enough to cover costs plus a 6% yield on investment, mandatory under a little-used 1918 law (BW—Aug.18 '51,p122). The state held long hearings, finally fixed a rate base for the 6% yield that the company said was far too low. So the company threatened to sell out or quit by Dec. 31 (BW—Oct.18'52,p64). The company counsel announced to its stockholders that it was worth more dead than alive.

For a while there were no offers, and it looked as if Worcester would be walking come Dec. 31. But in the nick of time, a bid was offered—and accepted. The new owners changed the name to Worcester Bus Co. Principal figures behind it are Frederic C. Dumaine, Jr., president of New York, New Haven & Hartford RR (BW—Mar.14 '53,p52), and William B. Snow, Boston banker and president of Amoskeag Co., which is known as "a Dumaine company." There was no reason why the operation shouldn't make money in Worcester, said Dumaine, "if we attend to details." Among the details: trimming overhead; dropping some unprofitable suburban routes; shifting from a zone fare to a straight 15¢ cash fare.

Last week Dumaine proved his point. Worcester Bus Co. reported first-quarter net profit, after taxes, of $12,624, compared to a $19,042 loss by the predecessor company in the first quarter of 1952. Dumaine is still not satisfied though; that's only 2% on the new company's investment, and he wants to boost it to 6%.

Air Battle in Texas

DALLAS—This city and neighboring Fort Worth have been feuding over commercial aviation for a long time, but it was just last week that the feud came to a head.

For many years, Dallas has been the unquestioned leader, chiefly because its Love Field was far superior to Fort Worth's Meacham Field. All flights that served the cities stopped at Dallas; a few of them, mostly the less important ones, also stopped at Fort Worth.

Then, last month, Fort Worth opened its new, ultramodern airport, Amon Carter Field. American Airlines, which has an absolute monopoly on through flights into and out of Dallas-Fort Worth to and from both East and West Coasts, built a $1½-million facility at the new airport, and imme-



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119 W. 40th St., New York 18, N. Y.
Timely, accurate construction news service East of the Rockies
THE FIRST STEP IN EVERY SALE

F.W. DODGE CORPORATION

diately shifted a good many of its flights there from Love Field. (Dallas blames the action, at least in part, on the fact that Amon Carter, Fort Worth publisher and civic booster after whom the field is named, is a major stockholder in American.)

Among the shifted schedules were seven from New York to Dallas-Fort Worth, four of which arrive between 5 p.m. and 6 p.m. One of these is the only daylight nonstop from New York. New York-Dallas air travel has always been very heavy.

And Dallas promptly blew its top.

• **Protest**—The Chamber of Commerce not only complained bitterly and volubly, but also threatened to appeal to the Civil Aeronautics Board against the shifts, and indicated that it would ask the board to end American's "monopoly." (Both United Air Lines and Trans World Airlines have already applied to CAB for permission to share American's New York-Dallas-Los Angeles route.)

But American doesn't scare easy. Last week it took six-column ads signed by C. R. Smith, its president, in both Dallas dailies, defending the shifts, and announcing that it would, itself, petition CAB to determine the adequacy of service both to Dallas and to Fort Worth. It openly invited both cities to "join in that petition." Stanley Marcus, president of Nieman-Marcus here, and chairman of the Chamber of Commerce's Aviation Committee, immediately announced that "Mr. Smith may be sure we will see him before CAB." And on Thursday, the chamber hired the New York-Washington law firm of Lord, Day & Lord as its aviation counsel.

Meanwhile, many Dallas businessmen are boycotting American. They are flying to New York via Chicago, Kansas City, or even Houston—with at least one change of plane in every case—to avoid flying American. And the chamber is seriously considering publishing a pamphlet listing all possible flights Dallas residents can use rather than fly American.

Revised Road Map

PITTSBURGH—For nearly 12 years, the western end of the Pennsylvania Turnpike was at Irwin, some 23 miles east and a little south of Pittsburgh. Gradually, a considerable amount of money was invested—in stores, restaurants, filling stations, motels, and what have you—both at Irwin and along U. S. 30 between Irwin and Pittsburgh.

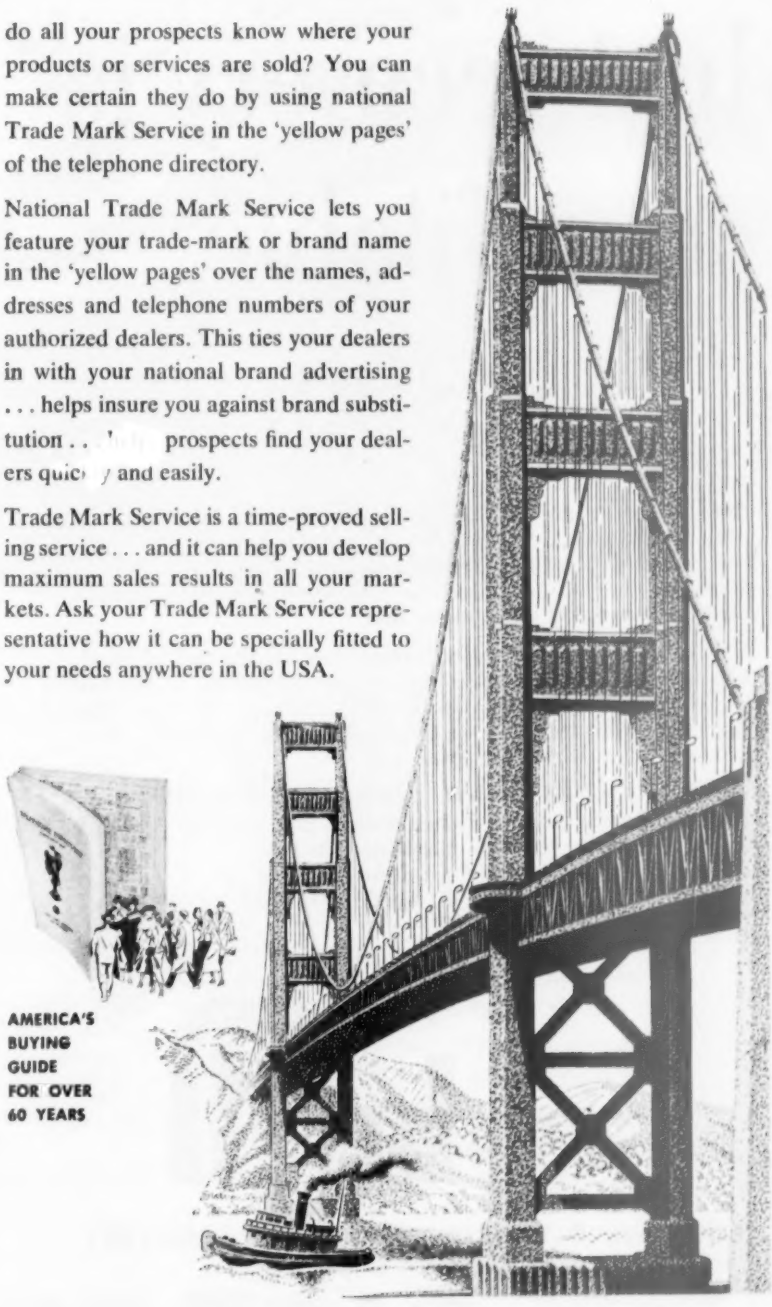
Then, a little over a year ago, the turnpike was extended westward to the Ohio line. About 11 miles beyond Irwin, at a little unincorporated hamlet called Monroeville, the extension crossed

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do all your prospects know where your products or services are sold? You can make certain they do by using national Trade Mark Service in the 'yellow pages' of the telephone directory.

National Trade Mark Service lets you feature your trade-mark or brand name in the 'yellow pages' over the names, addresses and telephone numbers of your authorized dealers. This ties your dealers in with your national brand advertising . . . helps insure you against brand substitution . . . prospects find your dealers quickly and easily.

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Why dust recovery is a profitable investment

Nineteen years ago, our engineers developed what we think is the most workable way of solving the Dust Recovery problem. It was the formation of "dust recovery teams", consisting of Buell engineers and the plant engineer—the man who knows his particular dust problem better than anyone else.

This team, drawing on the experience and background of Buell, coupled with the plant engineer's intimate knowledge of his own problem, brings about the kind of results industry has been seeking: substantial profit increase, greater plant yield, improved product and/or process, better employee morale.

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DUST HOPPER VALVES

U.S. 22—at a point almost due east of Pittsburgh, and only 15 mi. away. The Irwin traffic interchange had always been named just Irwin. But when the new Monroeville interchange was opened, the name "Pittsburgh" was assigned to it.

This was a bitter pill for the people at Irwin. They've put signs up to tell turnpike travelers that the shortest way to Pittsburgh from the east is to get off the pike at Irwin. They've also tried desperately to get the Turnpike Commission to change their rival's designation from Pittsburgh to Monroeville. No dice.

In the meantime the vast investment along Route 30 is slowly withering away. And Monroeville and Route 22 are booming. Motels, restaurants, filling stations have sprung up like weeds. Last week announcement was made of a $10-million shopping center on a 30-acre tract along Route 22 right at the interchange, to include "at least two" supermarkets, a department store, a bank, variety, jewelry, and hardware stores, restaurants, and professional offices. Construction is expected to start not later than July.

Updates

COLUMBUS, OHIO—The businessmen in the unincorporated Dublin Road area have won the final battle in their seesaw fight to keep from being annexed to suburban Grandview Heights. They had won the first battle when the county commission ruled that the annexation petition did not contain signatures of the required 51% of property owners. They lost the second when a court ruled that corporations don't count when it comes to signing annexation petitions, and that the petition did contain signatures of more than 51% of the individual property owners (BW—Jan.31'53,p127). Now the annexation petition has finally been thrown out—because more than half of the original signers filed affidavits asking their names be removed from it, and that left far less than 51%. Grandview charged that businessmen had brought pressure on residents, but sadly admitted there was nothing it could do about it.

AUSTIN—The controversy over whether Texas can levy a "gathering tax" on natural gas is moving into its last act. Three months ago a state appeals court reversed a lower court, held the gathering tax constitutional (BW—Feb.28'53,p70). Last week the state supreme court refused to hear an appeal from that decision, thus in effect upholding the law. The pipeline companies have not yet decided whether to appeal to the U.S. Supreme Court.



New Plastic Bodies Make Possible Sports Cars for the Average Family

The drawing-board dream of a compact, sports-type family car . . . easy to handle in traffic, economical to buy, operate and maintain . . . may soon come true.

For polyester resin reinforced with glass fiber now permits the construction of *one piece* auto bodies, which greatly reduce sports car assembly costs. The light weight and great strength of such bodies also cut sports car operating and maintenance costs.

Reichhold, the world's leading producer of synthetic resins, furnishes polyester resins to many industries. Reichhold makes its polyester resins with full quality control, since it supplies itself with their basic raw materials, phthalic anhydride and maleic anhydride.

Reichhold also manufactures phenol, formaldehyde, glycerine, sodium sulfate and sodium sulfite.

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Blue Ribbon
SUPERSTANDARD GUMMED TAPE



CASE HISTORY

"Blue Ribbon tape is saving us hundreds of dollars"

—says Victor Mfg. & Gasket Co., world's largest gasket manufacturer



Victor Mfg. & Gasket Co. recently designed automatic taping machines to seal their shipping containers. During the experimental period, Victor tested many brands of tape. Merchandising Manager A. J. Lukes, Jr., reports:

'Blue Ribbon Superstandard Gummed Tape is our choice. Its strong kraft enables us to save money by reducing the basic weight of the tape thus getting extra footage of tape for the same money. Its fast acting adhesive eliminates the high cost of wetting agents previously required. As a result Blue Ribbon is saving us hundreds of dollars a year.

"Blue Ribbon moistens instantly and grips securely under only momentary pressure. This makes it ideal for both our automatic and manual sealing operations."

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MANAGEMENT

Goodrich Makes

● More and more, key decisions in industry cannot be made by one man or by small groups.

● A top policy move now represents a companywide effort, and breeds an unpredictable chain of questions calling for more decisions.

● Moreover, some decisions are forced by competition. Take the case of Goodrich's tubeless tires.

Last month, B. F. Goodrich Co. made a major decision. It was one of a series that started in 1947. The operating heads of tire merchandising, the replacement tire division, manufacturing service, and promotion reached final agreement that it was time to move Goodrich's new Safetyliner tubeless tire out of the test market in Houston into the rest of Texas—the second step toward putting the product on a national basis.

Next week Goodrich top brass will descend on Dallas for a sales promotion wingding that will launch a statewide campaign.

This gives Goodrich a second tubeless passenger tire on the market. It's a less expensive ($28.95) version, without the puncture-sealing and safety-tread features of the $33 Life-Saver Tubeless.

What this means is that Goodrich has decided—with a bit of a push from competition—that (1) the tubeless tire will be aimed at the mass market more than ever before and (2) it is determined to maintain the market position in the tubeless field that Goodrich has held ever since it first set the industry to mumbling five years ago with its tubeless promotion.

• **Chain Reaction**—Actually, the timing of the decision to broaden the Houston test market, where Safetyliners have been sold for several months, was not at all what some Goodrich management men had anticipated. The competition, after several years of pooh-poohing the tubeless tire, finally grabbed hold of the idea and started to run with it (BW—Apr.4'53,p41).

Behind all this is a case history of decision-making in industry. From it you can watch how:

• A basic decision is often the result of what first appears to be idle dreaming, sometimes spurred by fortuitous events.

• Once a basic decision is made, that decision breeds a whole series of others, from the top to the bottom of management—any one of which, if wrong, can make the basic decision look silly.

• As time goes on, the decision-making power of management loses some of its control. Competition may pick up the idea, forcing decisions that otherwise might better have been made later—or so it may seem.

• Only in a few businesses, such as the garment trade, does decision-making rest on the whims, acumen, or timing of one man or even a small group. Decisions in industry today, at least those that can mean making or losing money, are not intuitive flashes of brain power at the top; they are studied, worried-over joint efforts of everybody—from the laboratory technician who asks his boss for a budget to develop an idea, to the chief executive who ultimately holds the pursestrings and sets the tone of the whole organization.

I. The Big Gamble

Take the case of Goodrich's tubeless tire. When the technicians and manufacturing heads came up with what they figured was a marketable product back in 1947, John L. Collyer and his top vice-presidents had to make up their minds on some fundamentals:

• The tubeless tire, if launched, could obviously mean a turning point in the tiremaking business. Was Goodrich ready to assume the leadership necessary?

• If the idea caught on, a whole new batch of problems would crop up—manufacturing, investments, training, dealer and distributor relations, pricing. That would mean management, if it gave the go-ahead, would be asking for headaches, not avoiding them.

• Should a whole raftful of technical people be tied up in a project that might or might not pay off? Aside from

Up Its Mind

the capital investment (which might be recovered by use of the machinery and tools on other lines), this channeling of manpower into an uncharted field could be costly and wasteful if it came a cropper.

Basically, those decisions are the kind top management must face. In some industries they are more frequent than in others. In the end it is the pace of such decision-making – and management's judgment–that determines what makes a company fast-stepping.

II. Developing a Dream

Actually, the story starts back before the war. That was when Collyer became president. He had returned to this country from England after 10 years with Dunlop Rubber Co., Ltd., determined to put Goodrich in the synthetic rubber business.

His thinking jibed neatly with the wartime necessities that subsequently precipitated Goodrich and others into synthetics. It was the wartime development of synthetics that made Goodrich's tubeless tire possible. A synthetic liner with a low air-diffusion characteristic not found in natural rubber is what holds the air in the casing.

• **Beginnings**–Tubeless tire development actually came during the war. The military in North Africa wanted a tire that would run even if flat, at least for a few miles. Without it, valuable equipment would have to be abandoned to the Germans. A young engineer–the same who later came up with Goodrich's tubeless civilian product–found the answer in a version of what is now the tubeless tire. But it could run for only a few miles–just long enough for a fast retreat.

A tire without a tube had been the dream of tiremakers for years. They've always looked upon the inner tube as a problem child, one they'd like to abandon.

The war was the fortuitous spur that gave the tubeless tire its first big chance to become a reality.

Goodrich's technical people began working on the idea after the war. For about two years, the sales side of management knew nothing of what was going on.

The first intimation that a major decision was in the making was when the technical division informally whispered in the ear of sales about the development work. That was in 1946.

Says J. E. Gulick, general manager of the tire manufacturing division: "We had no doubts, but we wanted to find out from sales: 'Is it merchandisable?'"

Just about that time the whole idea was almost dropped. An inner lining couldn't be found that would hold air. Research came up with a butyl rubber, developed by one of the oil companies, that solved that problem. That was another decision along the way: betting that a substance could be found.

Sales' answer, once it found out the status of the tire, was: "Uh-uh." The experts saw no potential in a tire without a tube that might go flat if punctured, then have to be replaced. One more decision, adverse this time, had been made.

The manufacturing side then added the puncture-sealing feature–a sealant inside the casing that would hold air even if a nail punctured it and was pulled out.

That did it. Sales and advertising now saw a pitch almost dead certain to appeal to a motorist: puncture-sealing and blowout-resistant with no inner tube to worry about.

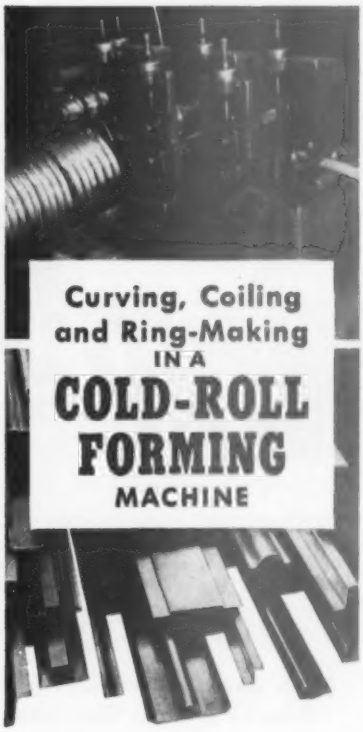
III. Giving the Green Light

Business research then took over, but the basic decision–do we go with the tubeless tire?–still had to be made. Market researchers picked Cincinnati for a test. First, a thorough study was made of what the public thought about the idea. On the basis of that, a campaign for the Sealomatic–Goodrich's name for the first tubeless–was laid out. In 1948 the Sealomatic hit the Cincinnati market.

The test provided answers to questions on price, advertising, sales expectancy. It proved a strong potential market was there for the tiremaker who came up with the right product. But it also proved there were bugs in the Goodrich tire and some changes would have to be made. Manufacturing got a call from the replacement tire merchandise manager who said that one hitch, the fact that the liner was brittle in cold weather, would have to be fixed –or no sale.

• **The Go-Ahead**–Most of this backing and filling was going on at management levels below the top. But all the time Collyer and his vice-presidents had been kept informed of progress.

The final decision was made when manufacturing offered merchandising a product guaranteed to overcome the



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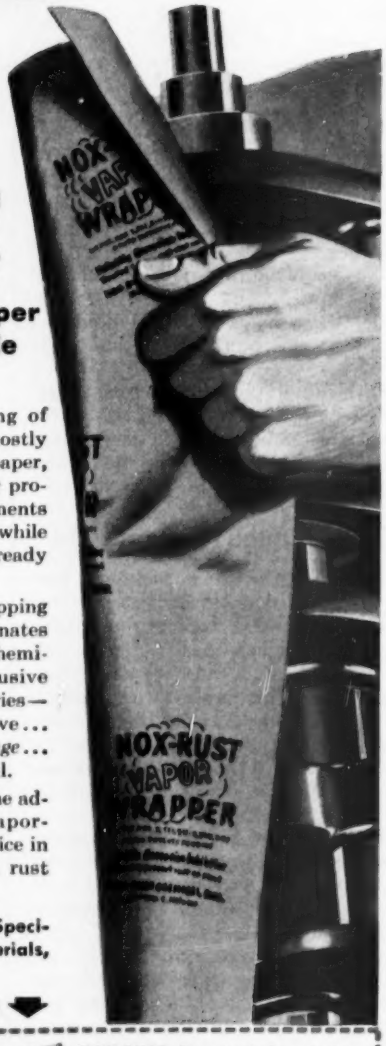




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Vapor-Wrapper makes rust-proofing of metal products faster, easier and less costly than ever! Easy to use as wrapping paper, this remarkable rust preventive paper protects everything from delicate instruments to huge printing presses. .cuts costs while delivering products "factory fresh," ready for use!

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Many companies have discovered the advantages of using NOX-RUST Vapor-Wrapper. Cut costs and improve service in *your* business with this new, *proven* rust preventive method.

Vapor-Wrapper conforms to Military Specification MIL-P-3420. Packaging Materials, Volatile Corrosion Inhibitor Treated.

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faults found in the first Cincinnati tests.

From then on, Goodrich began to go national with its Sealomatic. The decision was a major one. It meant having production facilities ready to meet demand. Output was slow because the tubeless tire took a lot longer to make than a regular tire. Beside that, it took twice as long to vulcanize. So you had money tied up in machines that might be making more tires of other types. That meant a capital investment decision had to be made.

IV. New Twists, Big Switches

Along about this time, the technical people—the same ones who had developed the tubeless tire—were fiddling with treads. On the basis of their experiments, a decision—costly if wrong—was made: Production agreed to sink money in a mold for a new straight-rib, skid-resistant tire.

The idea was to slice thin crosscuts across the face of the tread. The result: a practically noiseless but highly skid-resistant tread unlike anything on the market.

By demonstration, cajoling, and using a raft of data, the manufacturing side sold the idea to the line sales force. Its members sold their top man.

• **Key Shift**—After months of talk between men at the operating level, top brass was called in. Collyer, his secretary-treasurer, all officers, and heads of sales, advertising, and publicity gathered in a display room to make another of the string of decisions that would have an important effect on the company.

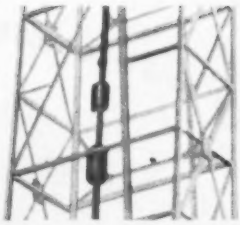
Basically, the situation was this: For months, Sealomatic had been selling in all districts. It was being manufactured in three plants. Heavy investments in advertising and promotion—of a type that can't readily be recovered—had been made.

Now, with the new tread for the tubeless tire, new molds—costing gobs of money—would have to be made, new cutting machinery developed and installed. All this management knew before the formal decision-making meeting. They also knew that the auto industry in Detroit had been asked if, sometime in the future, they'd be interested in such a tire as original equipment. Auto leaders were.

With this knowledge, management decided to dump the Sealomatic, replace the campaign with one to push the Life-Saver Tubeless with puncture-sealing qualities plus the skid-resistant feature.

That initial decision on the Life-Saver was a $2-million one as far as additional production equipment was concerned.

• **Safetyliner's Start**—Meanwhile, all along the way, technicians had been



Runs Like New
after 8,000 hours!

HERE's proof based on certified factory tests that Allison TORQMATIC Converters run like new—long after they go to work:

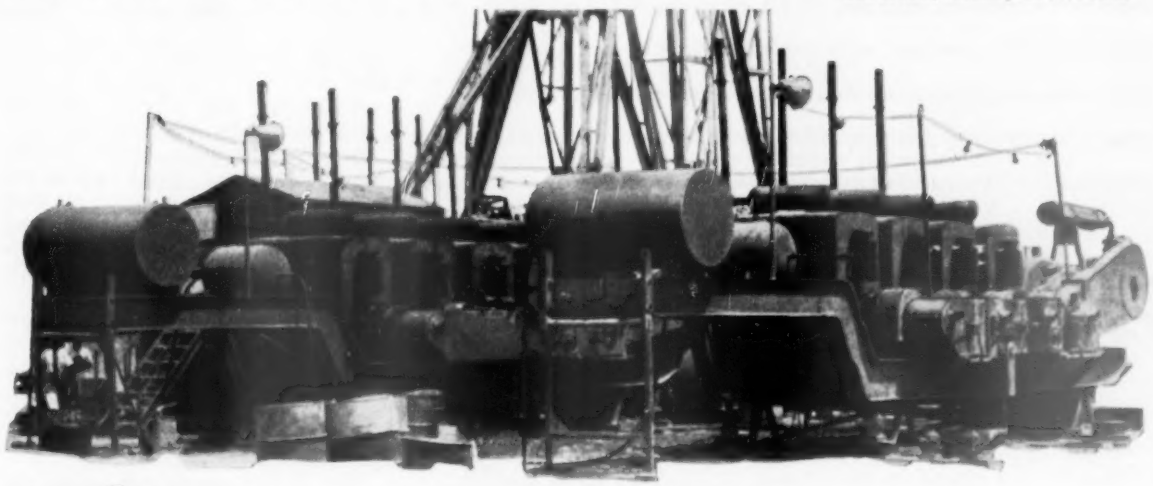
An international oil company had an Allison TORQMATIC Converter transmitting engine power for a mud pump at Lake Maracaibo. After 8,000 hours of operation, the converter was brought back to Allison for a performance check. *Tests proved that there was no variation from original power curves—absolutely no drop in efficiency.*

This firm now has 48 Allison TORQMATIC Converters and many more on order. Like-new performance after almost a year's continuous operation offers convincing proof that Allison TORQMATIC Converters are the best power-transmitting buy.

Allison Converters hold engine power to the load and act as a fluid coupling when load requirements equal engine torque. Handling from 75 to 400 horsepower, the converter protects both engines and driven equipment by absorbing shock loads and vibration.

If you are not familiar with all the advantages of Allison Converters, get the full story from your engine manufacturer, dealer or write:

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working on a tubeless tire that had no sealant. The sealant added upsprung weight—weight beneath the springs—and tended to heat up the tires. This goes counter to the trend to lighten tire weights.

Now competition started entering the field. Goodrich heard via the grapevine that others were proposing to sell the auto industry a tubeless tire without a sealant as original equipment.

So, close to the time that Firestone Tire & Rubber came out with its $28.75 tubeless tire, Goodrich began testing its $28.95 Safetyliner in the Houston market.

Once more the original tubeless decision bred another: Shall we put a companion tire on the market that will, perhaps, compete with our $33 job? Last month's meeting made the decision Goodrich now will have to live with: Yes.

V. Coming Up

The tubeless questions aren't over yet for Goodrich.

For instance, how far will Goodrich go in protecting its string of patents on the tubeless tire?

Already one decision has been made on that question. This week the company filed suit in federal court in Akron against Firestone Tire & Rubber Co., charging that Firestone has been infringing patents on the tubeless tires for automobiles and aircraft.

Firestone, indicating it won't give an inch, charges there is no merit to the BFG suit. It contends it does not infringe any patents and will prove it in court, claiming that tubeless tires have been known in the United States and other countries for many years. In addition, it says that Firestone has done its own developing in the field, that its own version has a number of features that are really unique.

Goodrich was issued three major patents in February, 1952—for the butyl rubber inner lining, the air sealing ridges that lock the tire to the rim, and the puncture sealant. Goodrich has offered to license the industry under its patents.

The BFG-Firestone suit marks the first time in more than 20 years that tiremakers have gone to court to settle their differences.

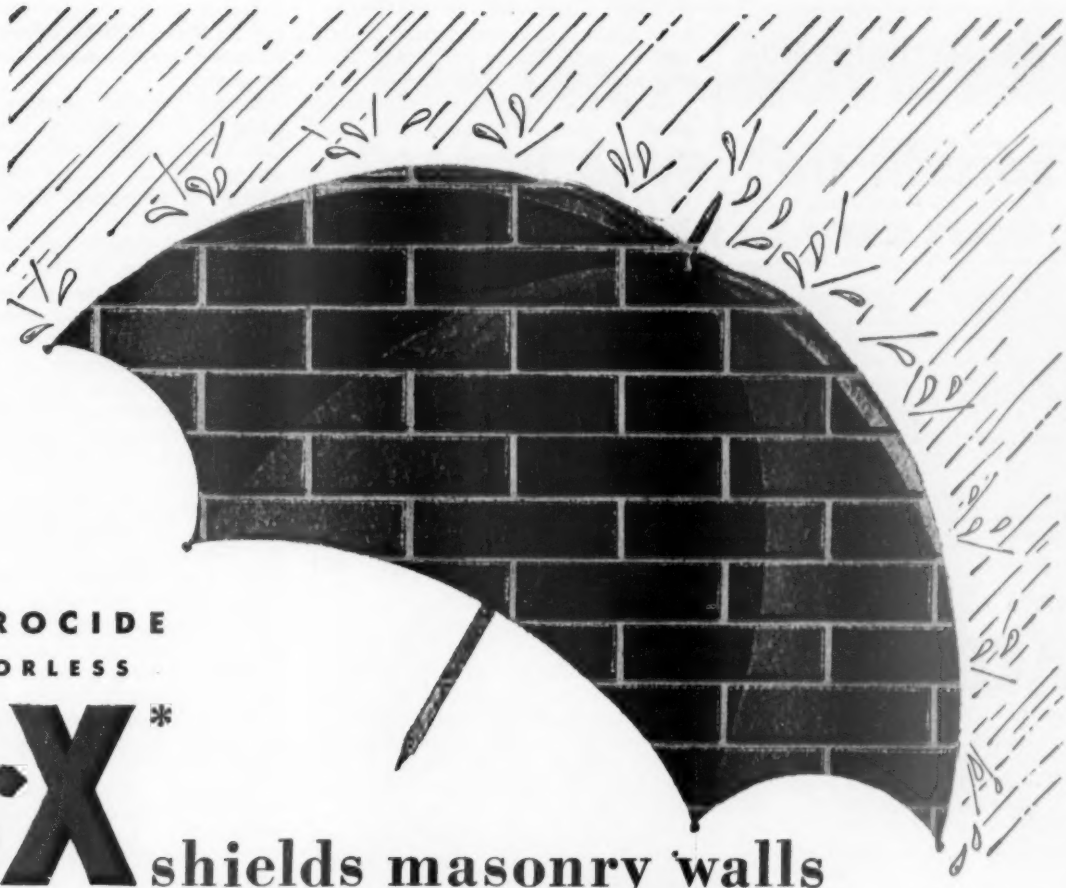
Here are some other decisions still hanging fire:

Is the price differential between the Safetyliner and the Life-Saver wide enough?

How far shall we go in putting the skid-resisting tread on Goodrich tires generally?

What percent of the market, ultimately, will tubeless business get?

With the product line broadened



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S•X* shields masonry walls like an umbrella!

New research by renowned York Laboratories reveals S•X with exclusive Silicone combination containing 'Hycon' superior in every test to other silicones! Gives superior water repellency! Resists weathering! Checks efflorescence!

In the initial stages of development, Sonneborn chemists were sure of the superiority of Hydrocide Colorless S•X to other water repellent treatments. Nevertheless, York Laboratories, Stamford, Conn., an independent testing laboratory, was called in to make a report of their own. For months, York tested S•X and ordinary Silicones under rigorous test conditions. Their impartial procedures left nothing to chance. And when the results were in, here is what York concluded *in its own words:*

- Hydrocide Colorless S•X imparts excellent water repellency to masonry and brick.
- Surfaces treated with it resist weathering and the destructive action of repeated freezings and thawings.
- Hydrocide Colorless S•X effectively reduces the tendency of bricks to efflorescence.
- Hydrocide Colorless S•X proved superior in these respects to other water repellent products tested.**

Every day S•X is proving to be effective for all kinds of masonry beyond all expectations! Even under very severe conditions S•X makes masonry water repellent regardless of temperature, climate or season!

Just one coat of S•X gives masonry superior water repellency! S•X works on an entirely new principle. Not just a surface film, S•X penetrates deeply . . . makes the masonry *itself* water repellent! S•X insures the clean appearance of your buildings by actually shedding dirt and grime . . . definitely checking efflorescence!

For over half a century Sonneborn has worked with Architects, Builders and waterproofing Contractors on many kinds of masonry water-proofing problems. As unchallenged leader in this field, Sonneborn is happy to put its experience and extensive research facilities to work on your individual problems. May we hear from you?

Everyone concerned with masonry construction should know the facts on S•X. Write for information now!

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1903—1953

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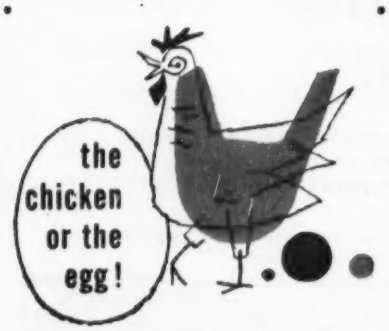
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and the market still not too certain, how much investment should be put into a machine now being developed that will build any kind of tires—white sidewall, black, Life-Saver, Safetyliner, all in six sizes—a lot faster than they are built today?

Unlike the original plunge, though, a lot of these decisions will be made as the tubeless idea gathers speed, customers and competitors make their decisions, and developments in the more basic tiremaking process that are now beginning to come to light gradually unfold.

Foundation Clinic

NYU session gives briefing on many legal questions of foundation giving. But other snarls remain.

This month at New York University's Institute on Federal Taxation, headed by tax consultant J. K. Lasser, a couple of hundred people turned out for a one-day session that prewar probably wouldn't have drawn more than a handful. The subject: charitable foundations.

The big crowd, made up to a large extent of lawyers and accountants, pointed up the mounting interest in the whole subject of foundations. Said one speaker, "We don't delude ourselves that if the tax laws were different, the same number would show up that are here today."

• **Spending Snarls**—NYU's conference dealt with many of the problems—particularly legal problems—that companies are likely to run into when they start giving money away. It took up questions of how foundations can and cannot dispose of funds. It laid out the rules to be followed under the law passed two years ago that tightened some loopholes through which business transactions sometimes took on the guise of charity.

The session gave out the sort of information needed especially by the companies, large and small, which are heeding Beardsley Ruml's plea for the "five percent foundation" (BW—Sep.20'52,p104). That's the setup whereby a company gives money to a corporation-sponsored charity organization. This organization, which may be staffed by experts, can dole out funds more scientifically.

• **Liaison**—One problem raised by the rash of new foundations that the Institute didn't get at is that of overlapping spending. Companies want their funds to bypass projects that are already getting enough support. The trouble is that there is no information center run by foundations that can give you accurate data offhand on just what they are doing.

Several outside organizations are trying to fill the gap. One is the American Foundations Information Service, which says it is the only central registry of foundation information in the country.

Since 1937 AFIS has been issuing updated editions of what it calls the standard reference book on foundations. AFIS records are clear evidence of the sprouting of foundations in recent years: In 1938 it had evidence on 300 foundations; in 1952 the figure jumped to 3,000. Last year this information service had 125 requests for data from companies that wanted to set up their own foundations.

Another outfit that's keeping tabs on latest foundation developments is the Hanover Bank of New York City. It has a philanthropic department that runs a library and advisory service to steer companies clear of overworked charity and educational projects.

• **Texas Turnout**—Moreover, among the foundations themselves, some effort is now being made to remedy the lack of interchange of both experience and ideas.

Recently, trustees representing 70 Texas foundations, with assets totaling $500-million, got together for a one-day conference. The program started off with a case study of how 30 Houston foundations have tackled the job of giving.

Speakers agreed that projects such as social science research, restoration of historic monuments, and work in fine arts offered new opportunities for foundation work. The general feeling seemed to be that, for the main part, foundations should keep their aims sufficiently flexible to allow for changing times.

On the idea of joint activities, speaker F. E. Andrews, of the Russell Sage Foundation, held that while an information center would be beneficial, requests for foundation aid should not be funneled through a single channel.

If the requests were, a deserving organization that was rejected by the central clearinghouse might feel it had been blackballed by all the members, whereas the decision rests with the individual foundations.

The Texas conference is the only statewide foundation meeting so far. It's met annually for five years, and plans to go on next year with a bigger two-day session. The second day will be devoted to a workshop, with experts in fields such as medicine and education giving their advice on the needs and the work done by foundations in their spheres.

MANAGEMENT BRIEFS

Chrysler Corp. has upped five division presidents to corporation vice-presidents. The men—William C. Newberg, E. C. Quinn, John P. Mansfield, Robert T. Keller, and L. Irving Woolson—will continue to hold down their divisional posts.

•

Dunlap & Associates, Inc., plans a five day human engineering institute next August in Stamford, Conn. To be conducted by 47 Dunlap staff members, the meeting will take up methods for improving working efficiency. Enrollment deadline is July 1, with tuition costs set at $250.

•

Battelle Memorial Institute, Columbus, Ohio, has set up a technological information service to provide quick access to an estimated 60-million pages of technical matter published annually. Battelle will tailor its service to individual company needs and assist in preparation of bibliographies and coding and classification systems.

•

The National Industrial Conference Board is holding its 37th annual meeting in New York May 21 and 22. One session is to be devoted to management controls with presentations by Koppers Co., Inc., American Hard Rubber Co., Radio Corp. of America, and American Enka Corp.



GM Caravan

Motorcade of 44 vehicles had its official premiere on May 12 in Dayton, Ohio. GM's Parade of Progress will tour the United States dramatizing modern science in industry.

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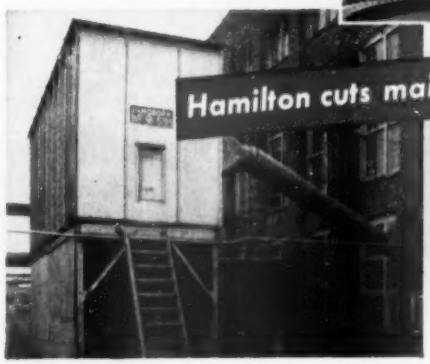
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Company Stock...

. . . is more attractive to employees of a small business if they can cut handling costs by pooling resources.

Many an executive has read, with a sense of frustration, how larger companies help their employees buy company stock (BW—Mar.28'53,p103). Unfortunately, small companies have as much need as the big ones for cementing the loyalties of their employees, but they feel they haven't the wherewithal to make stock purchase attractive.

A small company in San Francisco says that's all wrong.

The company is Pacific Coast Aggregates, Inc., which employs 699 people in the production and distribution of rock, sand, gravel, and ready-mixed concrete in an area stretching from Fresno to Sacramento. Its sales volume has risen from $5.5-million in 1945 to $15.9-million in 1952.

• **100-Share Blocs**—Last January the president, A. K. Humphries, wrote to the 699 employees describing a way for them to buy company stock. His plan contained no lures other than that if they pooled their resources they could benefit by the lower handling costs for stock bought in 100-share blocs.

The plan became effective Mar. 1. By April, 165 of the 699 had signed up for an aggregate monthly investment of $3,155. Only cost to the company will be the extra bookkeeping.

Under the plan, any employee is eligible after three months. The monthly investment may be anything from $10 up, in multiples of $5. An employee may drop out any time he chooses.

The company, through a subsidiary for legal and tax reasons, buys the stock each month through a broker, in blocs of 100 shares, paying the market price plus commission, crediting the stock account of each employee with the precise amount of stock that his monthly investment would buy. The employee receives no certificate unless he pulls out. But he does receive dividends for the full amount of stock credited to his name on the record date. He has the option of receiving his dividends in cash or having them reinvested for him.

• **Pilot Model**—PCA thinks a lot of small companies could follow this plan with profit. There's only one hitch. If the stock isn't listed on any national or regional exchange, the employees won't be nearly so responsive. They want to keep track of just how their stock is doing.

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INTERNATIONAL OUTLOOK

BUSINESS WEEK
MAY 16, 1953



A Korean truce by the end of June is now a real possibility

True, the Communists are objecting to some things in the latest United Nations plan for handling the prisoner problem. And they may haggle so long that the U. S. will lose patience.

But the two sides are closer than they ever have been. The plan the Reds proposed last week was based on an Indian resolution that the U. N. approved last fall but the Reds turned down. Now the U. N. is putting up another version of the same proposal.

•

One thing you can be sure of: President Eisenhower is determined to get a truce if it's at all possible.

The President intervened personally a few days ago to break a threatening deadlock. He approved the new U. S. plan and ordered Gen. Clark to deliver it personally at Panmunjom.

•

There's no doubt that Prime Minister Churchill was counting on a Korean truce when he called this week for a top-level powwow with Russia's new leaders.

You can compare this Churchill speech with the one he delivered at Fulton, Mo., in 1947. Only at that time he was calling the West to arms against the threat of Soviet aggression. Now he is calling for an armistice with the Soviet empire, and apparently thinks it should be possible to achieve one.

Maybe this is wishful thinking on Churchill's part. But most observers in Western Europe think he is on the right track.

•

Still, there's no doubt there are wide differences between Churchill's speech and what Eisenhower said Apr. 16 on the subject of peace.

• Eisenhower called for "deeds" as a condition of any general talks with Moscow. By that he meant not only a Korean truce but a settlement in Indo-China, an Austrian peace treaty, and the return of German, Japanese, and Italian war prisoners. Moreover, Eisenhower also wanted the European Defense Community ratified before we talked with the Russians about a German settlement.

• **Churchill is ready to talk with Malenkov and Molotov as soon as a Korean truce is in the bag.** Apparently he thinks the Russians will come through with an Austrian peace treaty, too. But to get further agreement with the Russians, he thinks it's necessary first to get together in a secret fact-finding meeting. And he is willing to forget EDC to get agreement on Germany.

Despite these differences, **Eisenhower will probably go along with Churchill's proposal** to talk with the Russians—but only if the Korean and Austrian questions are settled first.

•

Britain and the U. S. have a ticklish problem to handle in Egypt.

Anglo-Egyptian talks on the Suez broke down just before Secretary Dulles reached Cairo as the first stop on his Middle East tour. That put Dulles into the crossfire right away.

The British have agreed to pull their forces out of the Suez gradually, but on two conditions: (1) British technicians must stay on to maintain the huge base and its $1-billion worth of military supplies; and (2) as Egyptian troops take over, they must be fitted either into a new Middle-East defense system or into the present allied setup in the Mediterranean.

Gen. Naguib says the British must get out unconditionally. He himself will decide whether he wants any British technicians and what Egypt will do about joining up with the West. If the British won't agree to this, says Naguib, Egypt will oust their troops by force.

•

At midweek, Washington officials feared a complete breakdown in Egypt, followed by sporadic fighting. There wasn't too much hope that Dulles could save the situation.

Certainly the British aren't expecting Dulles to pull a rabbit out of the hat. They started shifting forces from Malta to Egypt while the U. S. Secretary of State was still in Cairo.

•

It's a better than even bet that Pinay will soon return to power in France.

Paris observers don't see how Premier Mayer can weather the storm that's brewing in the National Assembly.

Mayer's big problem is how to handle this year's budget deficit. He is faced with the choice of cutting government spending or asking for a new tax bill. Either would leave him wide open to attack.

Meanwhile, the cost of living in France has started to climb again, is now higher than it was a year ago. And that's leading all the big unions—Communist, Socialist, and Catholic—to prepare new wage demands.

•

Pinay has two big advantages in a situation like this:

• **A successful record last year in checking inflation** with his save-the-franc program.

• **Big gains for his Independents in the recent local elections.** It was Pinay's backers who picked up most of the votes the Gaullists lost. (The Gaullists got so few votes—10.6% as against 25.8% in 1947—that de Gaulle has dissolved his party.)

•

The National Security Council is now taking notice of the Soviet trade offensive (BW-May9'53,p166).

NSC has started a thorough study of the political and psychological effects of this phase of Moscow's peace maneuvers.

From this angle, **France looks like the critical spot.** One French group—The Comite Francais des Exchanges Internationaux—seems to be making hay in French business circles with its propaganda.

The Comite's line is this: France will get fair treatment from the U. S. on tariffs, etc., only if it builds up a healthy trade with the Soviet bloc.

•

Latin Americans are adding their bit—with a vengeance—to the great debate on tariff and trade policy.

They're worried about the Simpson bill, which would cut back U. S. oil and metals imports. This week the **Chilean ambassador** said flatly that U. S. protectionism was responsible for nationalist, anti-Yankee movements south of the border.

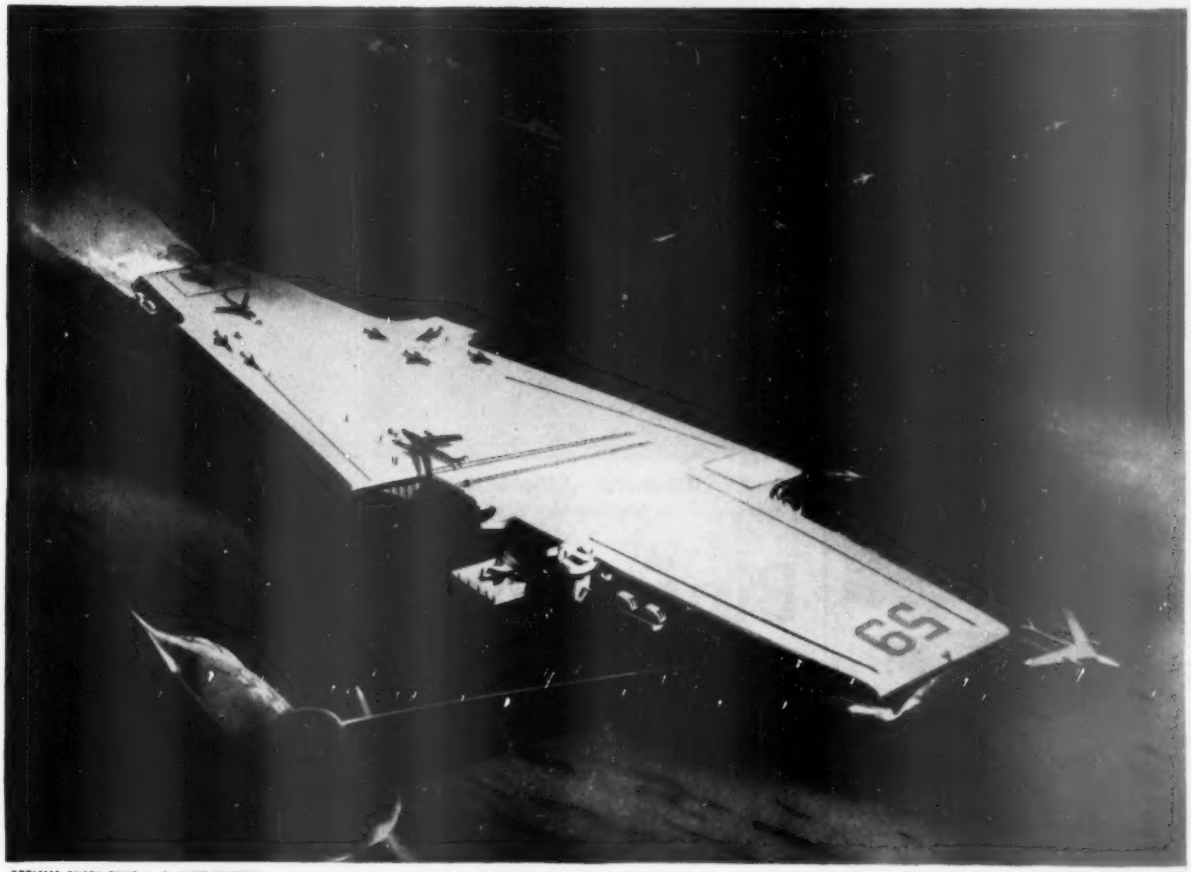
Mexico chimed in, made a formal complaint about a Simpson tariff that would hit its already sickly mining industry. Mexico's attitude is echoed throughout the hemisphere: "We boosted output to meet U. S. war and rearmament needs—now you're going to drop us like a hot potato."

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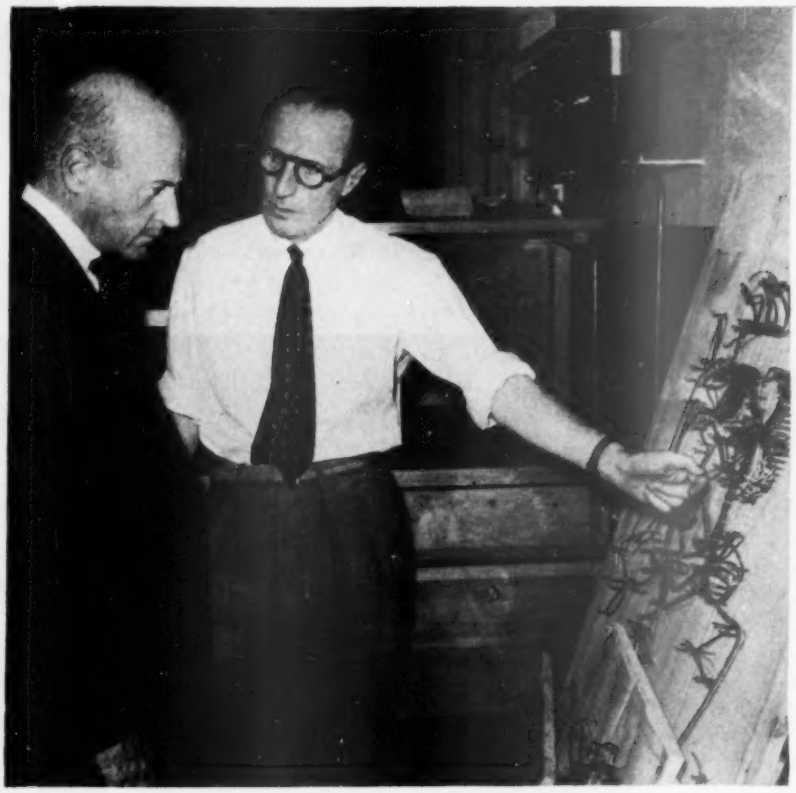
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BUSINESS ABROAD



ITALY'S Microlambda, guided by Raytheon's president, C. F. Adams, Jr., and Dr. Carlo Calosi (in shirt sleeves) is now filling a $20-million contract for radar equipment.

Buying Arms Abroad to

A couple of years ago the somewhat mysterious term "offshore procurement" began to turn up in the American vocabulary. The average citizen wasn't too clear what it meant—beyond the fact that it was some kind of plan to help Western Europe build itself up militarily and economically.

Last week two events helped clear the fog, show that offshore procurement is a going concern: An Italian company, Microlambda, delivered the first units on a $20-million contract to supply NATO forces with radar equipment; and Turkey got its first offshore procurement contract—$8-million for shells.

• **Key to Aid**—Under offshore procurement the U.S. buys military equipment—arms, munitions, planes, tanks—from one Western European government, then gives it either to the producing country or another nation under the North Atlantic Treaty Organization.

This type of aid got its start in the fiscal year of 1952, when the U.S. contracted with European arms makers for about $620-million of munitions, spare parts, and equipment. This fiscal year the figure should reach $1-billion; and chances are that next year offshore procurement will hit $1.5-billion.

That figure might even turn out to be low. It looks as if Congress will severely cut—maybe completely wipe out—most of the economic assistance funds in next year's budget. If that's the case offshore procurement will have to play the major part in aiding Western Europe to cover its dollar deficit.

• **$550-Million in Contracts**—Offshore procurement got one of its biggest boosts less than a month ago, when NATO awarded $550-million of orders for planes to European manufacturers. The U.S. is pledged to ante up for about 50% of these contracts—$281-million to be exact.

Most of the U.S. contracts under this program have already been awarded. Britain's Hawker-Siddely Group has



BRITAIN'S Royal Ordnance Works has better than $100-million worth of U. S. offshore procurement contracts on the books for its 49-ton tank, the Centurion.

Build Up West Europe

U.S. contracts for $140-million of its Hawker Hunter interceptor and $13-million of Hawker Seahawk naval interceptors; France has an $86-million contract for its Marcel Dassault Mystere interceptor; Fiat of Italy will get $10-million for assembling the F-86D all-weather interceptor. The balance will be the U.S. contribution to a joint NATO contract for Hawker Hunters to be built in Belgium and the Netherlands.

• **Three-Way Aid**—The Pentagon figures it accomplishes three things at once by awarding contracts such as these:

• It gives NATO forces the arms that the U.S. has agreed to supply.

• It builds up arms industries in Europe, while cutting down the drain on our own industry.

• It bolsters Western Europe's dollar reserves.

The U.S. has spread offshore procurement all around Europe. And recently the smaller countries have been getting more and more contracts. Here's a breakdown country by country on contracts awarded by the Army, Navy, and Air Force for the fiscal year of 1953 as of mid-April:

Belgium	$1.9-million
Denmark	$1.4-million
France	$172-million
Germany	$643,000
Italy	$86-million
Luxembourg	$183,000
Netherlands	$44-million
Norway	$3-million
Portugal	$18-million
United Kingdom	$271-million

That adds up to a total of just under $600-million, but doesn't include the recent $281-million in airplane contracts, nor Turkey's $8-million contract. When these and other contracts are added up, the 1953 figure should easily reach the $1-billion mark.

• **Case History**—Italy's partly public, partly private, electronics company, Microlambda, is a good example of how offshore procurement works, both from



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"...offshore procurement is accomplishing in Italy just what it was supposed to accomplish..."

BUYING ARMS starts on p. 154

the U.S. and the European end of the deal. Microlambda not only has better than $20-million of contracts under offshore procurement, but offshore procurement is the reason for its very existence.

Back in August, 1951, when offshore procurement was first authorized, the Defense Dept. decided that electronic equipment should be included in the program. As part of its effort in this direction, Defense went to Raytheon Mfg. Co., of Waltham, Mass., for help in setting up or finding a West European electronics plant that could turn out radar equipment to meet U.S. standards.

There were at least two good reasons for looking to Raytheon for help in such a project. In the first place it had (and still has) a big contract to make early warning radar sets for the U.S. Navy. Secondly, in Dr. Carlo Calosi, its director of research, it had just the man for the job.

Before the war, Calosi was one of Italy's top electronic scientists as a professor at the University of Genoa. During the war he put this to practical use: He served in the Italian navy as a captain specializing in underwater signaling devices. When half of Italy surrendered to the U.S. in 1944, the U.S. Navy spirited him into this country. For a while he served directly with the Navy and contributed to our antisubmarine warfare efforts against Germany. Then he went to work for Submarine Signals Co. Raytheon took over that company in 1946 and Calosi came along with it.

• **Down to Business**—As soon as offshore procurement became a reality, Raytheon began talking to people from Finmeccanica—an Italian group (partly private and partly public) that was set up after the war to rebuild Italian industry. Calosi, who knew military electronics as well as anybody, and who was in good standing with the governments and navies of both Italy and the U.S., naturally played a leading part in these negotiations.

Upshot of the talks was that Finmeccanica set up Microlambda as a subsidiary with a capital of 500-million lira ($800,000). And it immediately began to send engineers and technicians to the U.S. to learn about modern electronics at Raytheon's plant at Waltham, Mass.

Next step was the signing of an $11-million three-way contract (another $9-million was added later) between Microlambda, Raytheon, and the U.S. Navy in July, 1952. As its part of the deal, Raytheon licensed Microlambda to build the early warning radar device that it had developed under a Navy contract.

Raytheon agreed to give the Italian company its drawings, to help train engineers and technicians, and to supervise the construction of a plant. And it also agreed to guarantee the sets turned out by Microlambda. To do this it keeps resident inspectors in Italy, as does the U.S. Navy.

While Italian engineers and technicians were studying at Raytheon, several Raytheon men went to Italy to supervise the building of an up-to-date electronics plant. One of them stayed. That was Calosi. He is now director of Microlambda and a consultant in electronics at the parent company, Finmeccanica, which is also making some electronic equipment under offshore procurement.

• **New Plant**—Under Raytheon and Navy supervision, Microlambda built a modern plant at Fusaro, a suburb of Naples. And last week, just 10 months after construction got under way, Microlambda turned over its first units to NATO, amidst a lot of pomp and ceremony and gold braid.

The plant is at the site of a bombed-out torpedo factory. The new building had to be started from scratch, but the location had one big advantage: There were a number of skilled workers still in the neighborhood. Many of these ex-torpedo makers either were out of work, or were working as unskilled labor. Now a lot of them are among the 400 workers who are employed at the new electronics plant. And they're getting very good wages, by Italian standards.

It's not only at Fusaro that people are getting jobs because of Microlambda's offshore contract. Microlambda has some 17 subcontractors supplying it with parts, including one in West Germany and one in Switzerland.

• **Success**—From the U.S. point of view, its dealings with Microlambda have accomplished just what offshore procurement is supposed to accomplish: Italy is getting dollars and has a new industry; NATO forces can now get some of their U.S.-style radar equipment right on the Continent instead of having to depend on the long U.S.-Europe supply line.

And there's a good chance that this supply of electronic equipment might soon increase, because Microlambda is dickering with Radio Corp. of America and other U.S. companies in the electronics business for licensing arrangements like the one it has with Raytheon.

Quotas Frighten Latin Americans

VENEZUELA, the world's second-largest producer of petroleum, is the repository of more than $2-billion of U. S. investment. Today, it is one of our staunchest friends in Latin America, and the danger of an Iranian-style oil nationalization there seems so farfetched as to be absurd. Yet there are sober government officials and businessmen who fear that possibility.

Their warning has been implied, rather than spoken, in Washington this week. Executives of the major oil companies are testifying before the House Ways & Means Committee, holding hearings on the Simpson bill to extend—with limitations—the U. S. trade agreements program. The bill includes a quota restriction on petroleum imports. Since Venezuela supplies about 73% of total U. S. imports, the impact of any such legislation falls heaviest on that country.

Needless to say, Venezuelans are frightened and angry at the prospect. And their fears are reflected up and down Latin America. Other nations there whose economies depend on U. S. purchases of a single product—copper, lead, zinc, wool, coffee, tin—believe that what threatens Venezuela threatens them. For example, the Simpson measure contains a stiff tariff on lead and zinc. Like Venezuela, Peru has cooperated with the U. S., welcomed our investors. The lead-zinc tariff might mean closing down many Peruvian mines, resulting in lost jobs and embittered people.

NO OTHER AREA in the world is more dependent on the shifts in U. S. business than Latin America. That's something to keep in mind as the Administration sharpens its thinking on hemisphere relations (BW—Apr.18'53,p162).

Economic stresses breed political misunderstanding; often they're at the root of inter-American problems. The Good Neighbors are inclined to feel inferior and insecure, totally at the mercy of the U. S. economy. This explains Latin America's rush to industrialize at any cost—to gain self-sufficiency. And it is behind much of the illogical nationalism that appears to be growing south of the border.

The ultimate form of economic nationalism is the nationalization—or outright confiscation—of a foreigner's property. At one time or another, nearly every Latin political leader feels he must give lip service to the nationalization principle. Fortunately, in prosperous Venezuela that feeling has remained well below the surface.

BUT CONSIDER what might happen if the Simpson oil quota goes through. According to one recent U. S. analysis, our oil imports would fall from 1952's 951,000 bbl. daily to about 730,000 bbl.

It's a tricky measure. Actually, imports of crude oil and some other products might rise; the Simpson cut falls entirely upon residual fuel oil imports. And since Venezuela (and the Netherlands West Indies, which refines Venezuela crude) supply 97.7% of U. S. fuel oil imports, and only 57% of crude and products, they will feel the ax.

In terms of crude production, Venezuela would have to cut back by 18.5%. As for refinery runs, the cut might have to be deeper.

In dollar terms, the income of Venezuela's oil industry (90% of the country's dollars) would drop by as much as one-fourth, or $269-million. A little over half of that would come out of the hide of oil producers. The rest would be a loss to the Venezuelan government—perhaps 20% of its revenues. Then there's the heavy additional cost in bolivars of lost jobs, shutdowns. Not the least of these effects might be a deep slash in Venezuela's U. S. buying—a healthy $500-million last year.

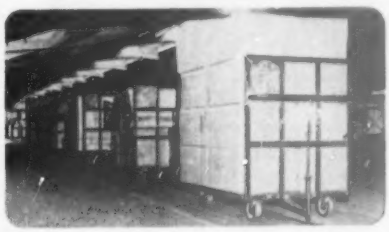
ANY WAY YOU SLICE IT statistically, the Simpson oil quota means belt-tightening in Venezuela. It would take a strong and popular leader—something Venezuela does not have—to keep the political lid on. In the confusion, our oil interests might get hurt. Elsewhere in Latin America, the reaction, simply, would be "Don't cooperate with Uncle Sam. Venezuela did—and look what happened to it."

Whatever the domestic arguments for the Simpson oil restrictions, Washington must consider them in terms of our strategic, political, and economic interests in the Western Hemisphere.



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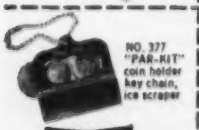


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U. N. Strikes at Cartels

Proposes international body to investigate restrictive business practices, and to recommend remedies. Publicity would be the group's real weapon.

To most people, trade barriers mean tariffs, import quotas, preferential government buying, and so forth. These are the things that make the big headlines today as Washington wrangles over U. S. trade policy.

But there's another kind of barrier that can stymie free world trade just as effectively if not more so—private cartels and other restrictive business agreements. At least, that's the view of the United Nations' Economic and Social Council (ECOSOC).

• **Decision Soon**—Right now ECOSOC is considering a plan for setting up international machinery to wage diplomatic warfare on any private agreements designed to restrain trade. At its next meeting in June, ECOSOC will decide definitely whether or not to push ahead with this project.

In the past, international trust-busting has been considered a never-never-land into which only quixotic idealists would think of venturing. But the officials who labored for two years to forge the ECOSOC proposal are convinced that something ought to be done to check the restrictive business practices that threaten the expansion of international trade.

True, the problem isn't so serious as it was in the interwar years. World War II exploded the brain centers and snipped the tentacles of many of the giant international cartels of the 20s and 30s. Germany's I. G. Farben has been dismembered and the zaibatsus of Japan have evidently been driven underground.

But apparently restrictive international business agreements still operate over a wide band of free world trade. The U. S. State Dept., for example, has evidence that over 20 major international cartels are flourishing today outside the U. S. And the U. S. government since the war has taken legal action against 40-odd business arrangements allegedly restricting international trade in which American companies were involved.

• **What's Cooking**—A rundown of some official charges on cartel operations gives an idea of what ECOSOC would be shooting at.

A group of British, German, Swiss, Danish, and French pharmaceutical firms is said to have tied up the European market for a wide range of basic products. Their agreement lays down strict rules for production, sales prices, and export territories. Machinery has been created to impose sanctions on members who step out of line.

A big British chemical company and a Belgian outfit are said to have a cartel agreement for the production and sale in Europe of certain plastics. According to reports, they have set up a joint subsidiary on the Continent. Belgian Solvate put up the capital and ICI the patents and technical know-how. The subsidiary reportedly has been given exclusive marketing rights in Europe and parts of the Middle East but is forbidden to poach in Britain or in sterling area markets.

The British Monopolies Commission recently reported that an electric wires and cables cartel is active in Europe. It has been successful in controlling prices, production, and exports of these products in 14 countries, according to the commission's report.

• **Meters**—Swedish authorities report that a number of foreign firms have teamed up with Swedish companies to regulate the international market for electric meters. The agreement allegedly provides for price fixing and division of markets and for heavy fines on members violating its terms.

The U. S. Justice Dept. has filed a civil suit against four rubber companies it says have teamed up to control international trading in latex products. The four companies are U. S. Rubber, Dunlop in Britain, Dominion Rubber Co. of Canada, and Farelli in Italy. Justice alleges that they have set up joint companies in Britain, Italy, the Netherlands, France, and Canada, each with exclusive market territories. Justice also accuses the group of price fixing, research and patent pooling. The case has not yet come to trial.

• **Study Group**—It is arrangements like these that have spurred the U. N. to try to curb restrictive practices. ECOSOC set up a special 10-nation committee in September, 1951, to wrestle with the problem. This spring the committee came up with a compromise proposal for an international control body.

Here's how the setup would look. Final decision would rest in a representative body consisting of a delegate from each member nation. This group would decide by majority vote what practices to examine, in what order priority complaints should be considered, and what remedial action should be recommended to the governments concerned.

The representative body would dele-

gate many of its powers to a smaller executive board of delegates representing different types of economics and the most important trading countries.

• **Hearings**—An executive secretariat would collect information from governments and other sources and pass this on to an advisory staff of technical experts. This staff would analyze, evaluate, and interpret the facts of a given case, and would hold hearings of the interested parties. Then it would report its findings and interpretation to the representative body.

The anticartel organization would take action on a complaint only if it involved one or more private or public commercial enterprises that effectively controlled trade among a number of countries in any product.

• **Publicity**—At this stage it is impossible to predict how effective the new organization might be. It would have no police powers, but it would be able to focus publicity on private agreements that in the past were always secret. Members would be committed to take action against offending businessmen or public commercial enterprises.

Several safety valves have been built into the proposed machinery. A member nation would not be required to disclose information that might endanger its security. Confidential information given by a member would be kept quiet on request of the member and if publicizing it would damage legitimate business interests.

BUSINESS ABROAD BRIEFS

British Broadcasting Corp. is going all out to televise the Coronation on June 2. It will use six outside broadcast units with a total of 20 cameras, about 100 engineers, 8 commentators, and 20 producers. The program will go on the air at 10:15 a.m., will end at 5:20 p.m. with the RAF salute to the Queen.

■

A paper pulp mill, using wheat and other cereals as a base, will be built in Portugal by Parsons & Whittemore, Inc., New York, and its British associate Lyddon & Co., Ltd., for Cellusoses do Guardiana, S. A., Lisbon. It's the first European project in what the company calls its "private Point Four program" to build complete paper mills around the world (BW—Feb.28'53, p142).

■

Manganese deposits at Franceville, French Equatorial Africa, will be exploited by a group of French companies and U.S. Steel Corp. under an agreement with the French government. U.S. Steel will have a 49% interest in the corporation that will be set up by the companies involved.



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LABOR

Raiding: It Costs Too Much

AFL and CIO may agree to end raiding as a byproduct of their probably futile unity talks. Both sides see sound sense in the proposal.

There's not much chance that current unity talks will bring America's two big labor federations together. But the talks may have one byproduct: a no-raiding agreement.

Not even that is a safe bet, but there is every sign that AFL and CIO leaders are taking the idea seriously. It's the main item on the agenda for their next meeting, June 2. They have convinced themselves that giving up raiding is just good business sense.

They checked the results of the more than a thousand cases of attempted raiding on the books in the past two years. A tiny percentage of the raids had been successful on each side. The rest represented a sheer waste of time, money, and manpower.

The problem is to translate the no-raiding principle into a workable pact. Both sides are trying to put on paper words that they can agree on. But signing an agreement won't suffice, and the leaders acknowledge it. Nor is good faith enough.

The problem is twofold:

How to define raiding: Suppose a local union belonging to an AFL international goes to a CIO international and asks to be taken in. Is the CIO union supposed to refuse the request? Is it guilty of raiding if it takes in the AFL local, even though there has been no solicitation?

George Meany, AFL president, said he never knew of a case where a union switched its affiliation unless it was wanted. The implication is that a union should never accept a local that has already been chartered by the other side.

This could be a serious disadvantage to local unions that need help. Presumably they can get some service from their international as long as they hold the threat of disaffiliation. Once that is taken away, they could fall victims of neglect, or worse.

Or suppose one international takes in another international. It is not farfetched, for the AFL Amalgamated Meat Cutters and the CIO Packinghouse Workers have been in negotiations for weeks. This case alone could prove an insurmountable obstacle in the no-raiding talks.

How to enforce a no-raiding pact: Neither the AFL nor the CIO can give orders to constituent unions. They can bring some pressure, but there's a practical limit to that, especially when it touches some of the big, inveterate raiders, like the AFL teamsters.

There also would be cases where an international union might want to comply with a no-raiding agreement, or decision, but could not control its locals. The only formal weapon the federations have over their constituents is expulsion, which is rarely used.

Both AFL and CIO leaders understand thoroughly that an agreement, to be effective, must be implemented. The extreme form—and an unlikely one—is to have the unions put up bonds and designate an arbitrator to make binding decisions when disagreements can't be resolved any other way.

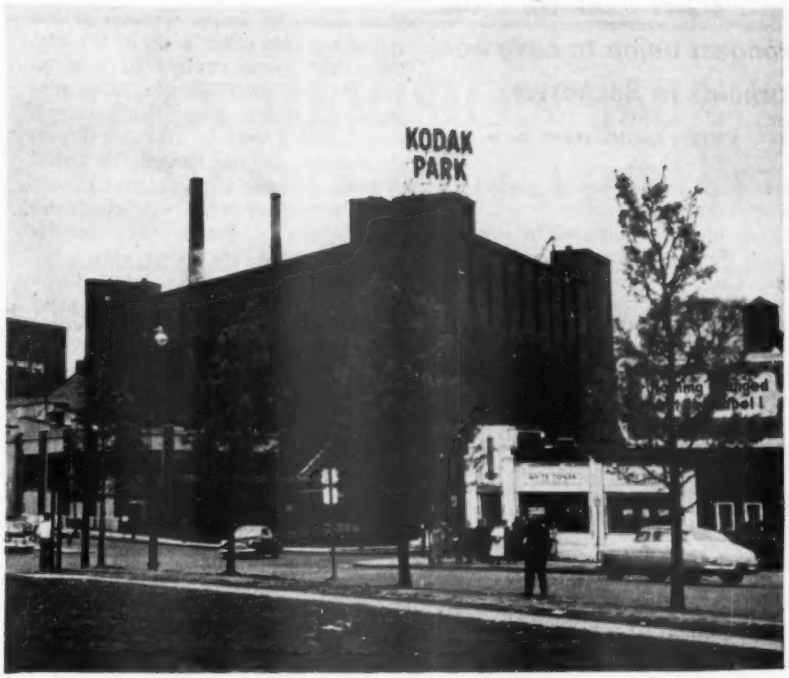
The CIO probably would be amenable to that approach. Its unions settle differences among themselves through formalized methods, resorting to an arbitrator where necessary.

• **Objections**—The AFL is less likely to agree to permanent arbitration machinery. AFL unions resist it among themselves. The building trades unions have a joint board with an impartial chairman to handle jurisdictional disputes, but only because they hate the alternative even more—the Taft-Hartley injunction procedure.

The most likely possibility is a continuing committee of top AFL and CIO officials to administer the agreement, if one is finally reached.

An agreement, truly observed, might lead to still another result. It would free manpower and energies for new organizing. The fact is that there is scarcely any organizing of the unorganized going on in the United States now.

The Pictures—Cover by Bob Isear. Acme—155; Associated Photographers—182; A. Beuf—154; Stanley Brown—161; General Motors—147; Int. News—29, 159; Bob Isear—47, 60; Herb Kratovil—47, 60; McCullagh—90; Ed Miley—30, 31, 174, 175; Ed Nano—68, 69; Robert Phillips—116; Jim Shepperd—91; Bob Towers—78, 79; George Woodruff—104, 105.



STRONGHOLD still of the open shop, Eastman Kodak is key to labor relations.

IN ROCHESTER

Open Shop Bastion Wavers

CIO election victories in largest open-shop town in the country has many industrialists worried. It could mean the beginning of the end of their union-free existence.

Rochester, N. Y., is a city known for music, optical goods, lilacs, parks, and rather conspicuous absence of labor unions among its industrial workers. Only 20% of all its workers are organized, against a national total of close to 36%. And only 25% of its manufacturing employees are in unions, compared with about 60% for the nation. This has given the city the reputation of being the largest open-shop town in the U. S.

Last week, though, CIO's United Auto Workers got official word from the National Labor Relations Board that it now can bargain for the 4,500 workers at General Motors' Rochester Products Division, the only GM plant not under contract to a union. The week before, UAW won an NLRB election by a vote of 2,222 to 1,131, culminating a two-year drive to win the plant. A year ago, the division's employees turned down UAW by a margin of more than 200 votes. Since then, the management has changed.

• **Union vs. Paternalism**—The sudden emergence of the auto union as the representative of a substantial hunk of Rochester workers has a lot of the town's open-shop employers a little worried. Privately some seem to fear the prospects of the rich, million-member UAW sending organizers and money into their city. A few even wonder whether this foreshadows the end of their union-free existence.

But more dispassionate observers question the grounds for their fears. They point out that Rochester's open shop stems from, among other things, a highly developed system of paternalism that puts the average worker near the top of the scale in terms of wages, fringe benefits, sports, and entertainment. Many, including some union people, feel that as long as local companies maintain these programs, unions will have difficulty gaining a foothold.

• **Bellwether**—The pace-setter for Rochester's paternalism is the Eastman Kodak Co. Its founder, George Eastman, started the whole thing on its way in 1911. Since then it has grown to include, in addition to high wages, a fat profit-sharing plan, pensions, subsidized cafeterias, an extensive medical program, guidance and counseling services,

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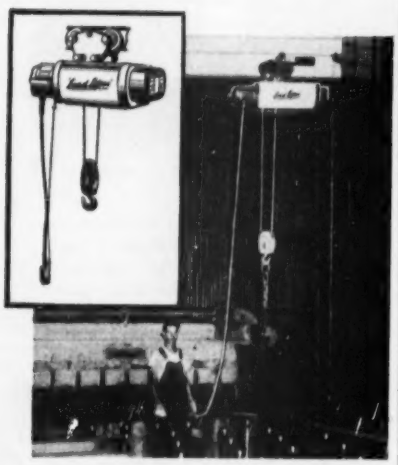


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". . . UAW still isn't the strongest union to have won footholds in Rochester . . ."

UNION GAINS starts on p. 161

educational subsidies for employees' children, and much more.

Other old-time concerns in the city such as Bausch & Lomb Optical Co., Ritter Co., Inc., producers of dental equipment, and Gleason Works, manufacturers of gear-cutting machines, went along in varying degrees with Eastman's program. But paternalism alone isn't responsible for the relative complacency of Rochester workers. The nature of the city itself—largely a home-owning community—and the nature of the industries—they have few unskilled and many skilled and semiskilled jobs—have contributed to the absence of unions.

Beyond this, many Rochester companies have tried various methods to stabilize employment and thus mitigate the economic dips on which some union organizing drives have thrived. Again Eastman is an outstanding case. Since the bulk of its operations is devoted to making photographic film—a seasonal product—the company even built a giant storage refrigerator so that it could maintain production when sales fell off.

To the extent that others have followed Eastman Kodak's lead, they have largely managed to stay clear of labor organization. But, as one management spokesman put it, "a lot of them have only nodded in Kodak's direction and have tried to get by on the coattails of Kodak's paternalism without really delivering anywhere near as much. A lot of them are ripening for unions."

Earlier attempts to organize the big hold-outs by several unions have met with strong, even violent opposition. It is reported that UE once captured a department at Kodak's camera works but could never get a contract. And at Bausch & Lomb various unions have been rebuffed repeatedly.

• **Ranking Unions**—Despite UAW's big victory, it's still not the strongest of the unions that already have won footholds in the town. The biggest, with about 11,000 members, is CIO's Amalgamated Clothing Workers. The Amalgamated came into Rochester years ago when conditions were bad in the city's men's clothing plants. It soon wrapped up the industry, and since it was the only big industrial union in the area, it proceeded to organize some unrelated concerns in spaghetti, perfume, paper boxes, and recently even a small film maker, Haloid Co. ACW has gained for its Rochester members its own brand of labor-management paternalism, and as a result there have been no strikes in the clothing industry there in more than 30 years. Though it has spread out into other fields in the city, the union seems content to hold its own without attempting any big new organizing drives. Some Rochester observers feel it may be taking a dog-in-the-manger attitude toward the arrival of new unions on the local scene.

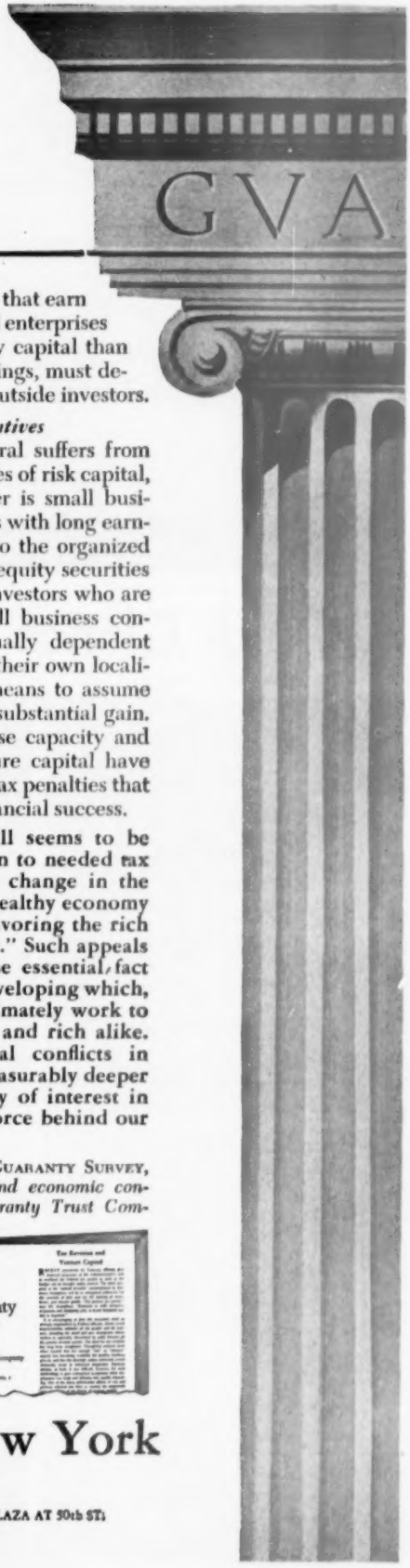
UAW ranks No. 2 in Rochester manufacturing. Beside the recently won GM plant, the union won a victory at a plant of A. O. Smith Corp. last winter while it was waiting to make another try at GM. It now has about 5,000 members in Rochester.

Right behind it is CIO's Electrical Workers. IUE has held bargaining rights for GM's Delco Appliance Division in Rochester since 1947 when it won it over from the leftwing UE. And in 1951 the union scored a victory at General Railway Signal Co., a locally owned concern. The IUE win at GRS is considered by many to have been the real break in the open-shop wall, since it was the first victory over a major home-owned company. But IUE has big problems elsewhere in its domain, and local officials doubt that money and organizers will be forthcoming soon for anything like a major assault in Rochester. Their prime target would be Stromberg-Carlson Co., with about 3,000 employees in an independent union.

• **Obstacles**—Other unions with manufacturing holdings in Rochester include AFL's Machinists and CIO's Steelworkers and Textile Workers. A few of the smaller optical makers are in the hands of AFL local unions. But observers cite as one of the major obstacles to organizing Rochester the fact that no big union has clearcut jurisdiction over the area that includes optics, cameras, and film. And many people feel that the only way that Rochester can be organized top to bottom is with an initial victory at Eastman Kodak followed by capitulation of the satellites. No one thinks any such move is likely soon, and some doubt if it will ever come.

• **Two Schools**—The desire of the old-line local industrialists to dominate the labor market has been a deterrent to new companies thinking of entering the area. Some local companies are said especially to fear GM since it has employee benefits and unions. This attitude seems to go back a long way, and one story has it that Ford Motor Co. located a plant in Buffalo rather than Rochester because local people made it impossible for Ford to set up shop there. On the other hand, many merchants, local utilities, and some of the younger industrialists complain that Rochester hasn't grown much in years and they want new industry in town, even if it means more labor unions.

TAX REVISION and VENTURE CAPITAL



THE need for tax revision has long been recognized. Thoughtful analysts have often warned that not enough "risk" or "venture" capital was becoming available for healthy business growth, and that the shortage, unless corrected, would ultimately result in industrial stagnation, financial anemia, or both. It was difficult, however, for such forebodings to gain widespread acceptance while employment was large and industry was rapidly expanding. One of the many unfortunate effects of war and postwar inflation has been to conceal the magnitude and seriousness of the dearth of venture capital.

Why We Need Venture Capital

Vigorous and enduring economic expansion requires not only that adequate amounts of capital be available but also that a sufficient proportion of the capital be of the risk-taking kind. Risk capital performs two unique functions.

First, it finances new business ventures, the success of which is usually uncertain. Many such ventures fail, but some develop into large and well-established industries, providing new employment opportunities and supplying new goods and services for the public. This is the essence of economic progress.

Second, venture capital serves as the foundation of the financial structure of industry. Other forms of capital investment, such as bank loans and bond purchases, become possible only after owners have supplied enough "net worth" to act as a financial cushion and relieve creditors of the broader risks arising from business fluctuations.

Venture capital comes from two sources: the reinvested earnings of business concerns and the savings of individual and (to a limited extent) institutional investors. Reinvested earnings are, of course, available only to the companies that earn them. New enterprises, and enterprises which require more equity capital than can be supplied from earnings, must depend upon the savings of outside investors.

Weakened Incentives

While business in general suffers from this drying-up of the sources of risk capital, probably the chief sufferer is small business. Prominent companies with long earnings records have access to the organized capital markets, and their equity securities are known to millions of investors who are beyond the reach of small business concerns. The latter are usually dependent upon individual savers in their own localities who have sufficient means to assume broad risks in the hope of substantial gain. These are the savers whose capacity and incentive to furnish venture capital have been so dampened by the tax penalties that have been placed upon financial success.

Unfortunately, there still seems to be strong political opposition to needed tax revision. Every suggested change in the interests of a strong and healthy economy brings forth the cry of "favoring the rich at the expense of the poor." Such appeals to class feeling ignore the essential fact that a situation has been developing which, unless corrected, must ultimately work to the disadvantage of poor and rich alike. Underlying the superficial conflicts in group interests is an immeasurably deeper and more vital community of interest in maintaining the driving force behind our free-enterprise system.

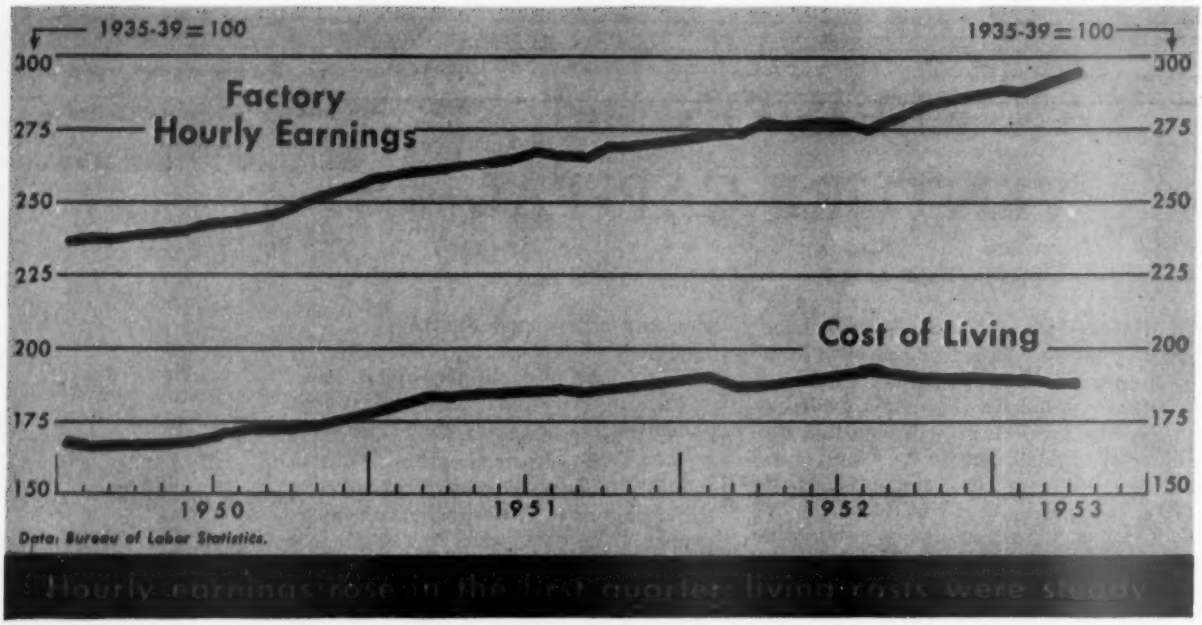
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The complete issue is available on request to our Main Office, 140 Broadway, New York 15, N. Y.

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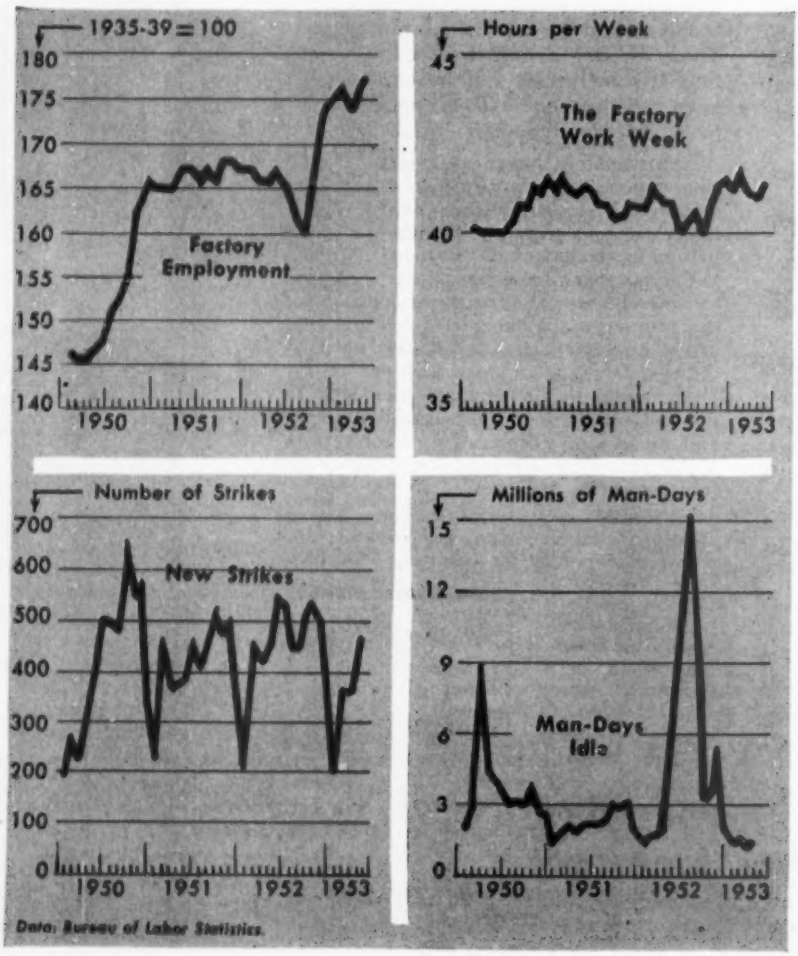
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Hourly earnings rose in the first quarter; living costs were steady

A Quick Glance at the Labor Market



The last quarter the country spent under wage and price controls saw a noticeable slowdown in the upward surge of workers' earnings as well as living costs.

Workers' hourly earnings continued upward, but slowly, the first three months of 1953, while the cost-of-living leveled after a steady climb in 1952 (BW—Mar.7'53,p136). Average hourly earnings in manufacturing went from $1.731 at the close of 1952 to $1.75 in March of this year. Over the same period the "old" cost-of-living index came down from 191.0 to 188.6, and then leveled off at 188.8.

Two factors in addition to controls had a braking effect on the rise in earnings: (1) Pay cuts under "escalator" clauses in many union contracts; and (2) a reduction in amount of overtime work. After reaching a peak in December of last year, average weekly hours worked fell from nearly 42 to 40.9 in February, climbing back to 41.2 in March.

Both separations and hirings were up in the first quarter. There were 4.3 new employees per 100 in March, as opposed to 3.3 per 100 in December. Quits and firings were at a rate of 4.1 per 100 in March.

Strikes, after a postelection nosedive, rose sharply to 450 in March. This is considerably more than double the number of strikes reported for December. The only significance, however, is that early spring starts the contract reopening season for a substantial portion of industry. Strikes consistently jump during the early part of the year.

Tightening Up on Communists

There's a loophole in the Taft-Hartley act through which many Communist labor leaders have slipped. Three agencies are at work now to plug it up.

Scores of notorious leftwing union leaders have slipped through a loophole in the Taft-Hartley act during the past five years. The loophole lets them swear they are, technically, not Communists. The union they represent is therefore eligible to do business with the National Labor Relations Board.

Now efforts are being made to plug that loophole, and to do something about any union officials who have used it to file false non-Communist oaths. It is a three-pronged drive:

• In Congress, to set up new machinery for determining whether a union is Communist-dominated—and therefore not a "labor organization" protected by the Taft-Hartley act.

• In NLRB, to require leaders of a suspect leftwing union to reaffirm that they are not Communists.

• And in the Justice Dept., to investigate some 300 oaths referred to it by NLRB or the Federal Bureau of Investigation, and to prosecute any cases where there is a possibility of a conviction.

So far, the Justice Dept.'s new special investigating unit in its Criminal Division has obtained six indictments on perjury charges. A team of four attorneys is rechecking cases referred to the department for the past several years, on orders from Attorney General Herbert Brownell. Headed by young James J. Canavan, the unit "expects" there will be further indictments.

• **Loophole**—The unit's difficulties lie mostly in the way the Taft-Hartley act is worded. It requires a union officer to swear that he "is not a member of the Communist Party or affiliated with such party, and . . . does not believe in, and is not a member [or supporter of] any organization that believes in, or teaches, the overthrow of the . . . government by force."

This is a present-tense oath. Union officers need only swear that on a given day—the day of the oath—they are not Communists or Communist sympathizers. Many known Communists have resigned from the party to file oaths—and technically have not violated T-H even though their basic political thinking hasn't changed in any way.

To prove false-swearing with the law as it is, the Justice Dept. must prove Communist membership up to the day the oath was taken—and at least a continued party activity, if not actual membership, after the oath.

• **Piecemeal**—Since 1947 the Justice Dept. has been handicapped by its original interpretation of T-H—that it must prove continued "affiliation" with the Communist Party in order to get a perjury conviction. Now the department is shifting from that interpretation, to broaden it.

Investigators are checking the possibilities of getting indictments and convictions for false oaths under any of five separate parts of the T-H non-Communist affidavit requirement. The department will now seek indictments against anyone suspected of falsely swearing that he (1) is not a member of the Communist Party; (2) is not affiliated with the party; (3) does not believe in the overthrow of the U.S. government; (4) does not support any organization that believes in the overthrow of the government; or (5) is not a member of any organization that believes in the overthrow of the government.

This broadening of the original interpretation of the T-H oath rule gives the department more to work with—but does not assure any more convictions. Trials of Communist Party officials have demonstrated the difficulty of legally proving guilt on the basis of belief in the "overthrow of the government."

• **NLRB Moves**—Meanwhile, NLRB moved two weeks ago to require some leftwing union leaders to reaffirm their non-Communist oaths. The board ordered officers of the Farm Equipment Workers, an affiliate of the United Electrical Workers, to file new affidavits. Unless they do, NLRB warned, the farm equipment union may be barred from certification as bargaining agent in International Harvester Co. plants.

Locals of the union recently won a series of bargaining elections—defeating rightwing challenges—at three I-H plants. NLRB's warning applies specifically to these three, but an NLRB crackdown would almost certainly extend in time to locals in six other I-H plants.

Ross Madden, NLRB regional director in Chicago, questioned the status of the farm equipment union under T-H, and the board ordered the union's leaders to file new non-Communist oaths. The board's order appeared aimed, among others, at Gerald Fielde, director of the union's Harvester Conference Board—an important policy-making and bargaining body.

Fielde resigned as the union's secretary-treasurer in 1948 rather than sign

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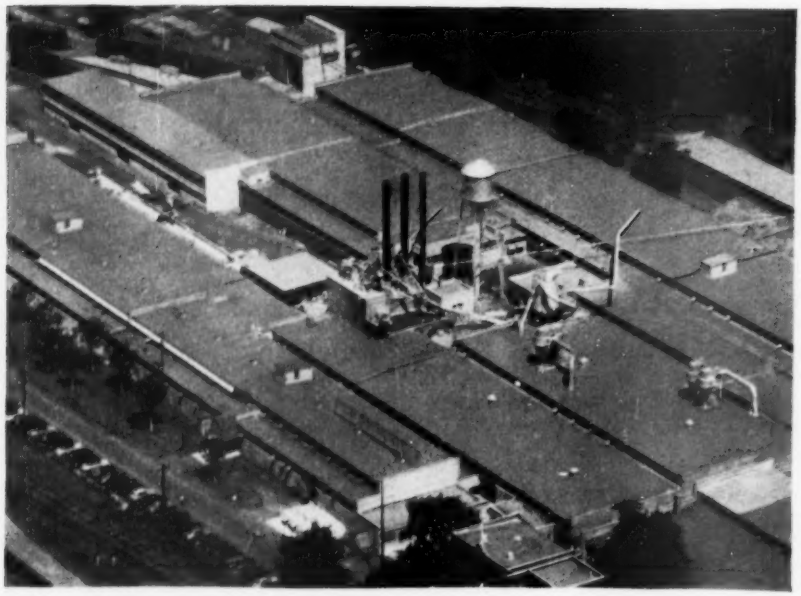
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DIVISION OF NEBRASKA RESOURCES

State Capitol, Lincoln, Nebraska



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Fortunately, one manufacturer was able to answer them all. That one source was TRANE.

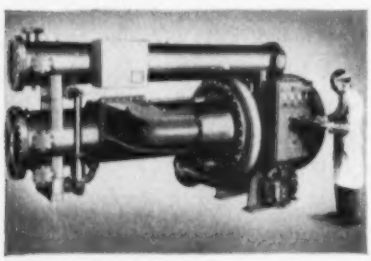
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a non-Communist oath. Last week, facing a new test, he was granted an indefinite leave of absence because of ill health, and was replaced as conference head by Milton Burns, an international representative of the union.

Since the board can't go beyond T-H oath requirements, any affidavits filed now (Fielde's union is in court testing the board's demand for new oaths) will be as flimsy as the original ones. They, too, will be present-tense oaths.

The one difference is this: Since the early days of T-H, NLRB has tightened somewhat on its rules covering the "officers" required to file oaths; a new demand for affidavits might therefore take in some officials skipped before.

• **A New Law?**—Justice Dept. and NLRB actions are important, but in the long run Congress must act if the loophole in T-H is to be plugged. Proposals on how this should be done vary.

One, for instance, would require retroactive oaths; union officials would have to swear they had not been Communists or party followers for a specified number of years—say back to 1947, when Congress adopted the Taft-Hartley bill. Unions oppose this because some leaders, anti-Communist now, might be disqualified because of past affiliations with leftwing associations.

Another would permit NLRB to ask, periodically, for new affidavits, as it is doing in the case of the Farm Equipment Workers—extra-legally, the union complains.

Others would set up new machinery for dealing with the problem of leftwing unions. The front-runner of these proposals is the bill sponsored by Sen. Barry Goldwater of Arizona, which would let a Subversive Activities Control Board decide whether a union is Communist-dominated—and therefore not a "labor organization" protected by the Taft-Hartley act. The accused union would retain a right to appeal its case to the federal courts.

LABOR BRIEFS

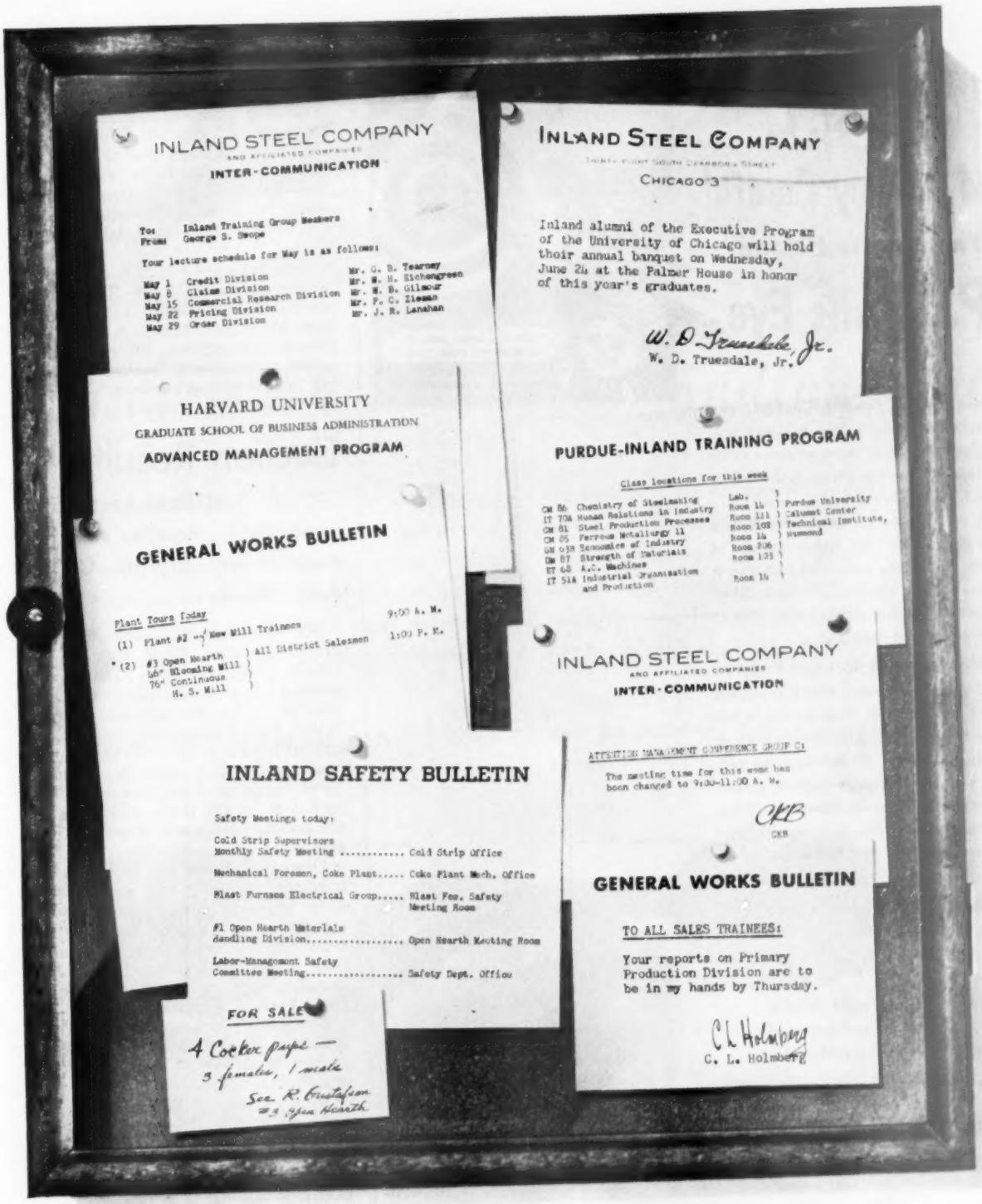
A pay demand will shortly be placed before three companies—Bethlehem Steel Co., Todd Shipyards Corp., and Maryland Drydock Co.—by CIO's Industrial Union of Marine & Shipbuilding Workers. The union decided last week to ask for a "substantial" raise for 40,000 employees in the companies' 11 yards on the East Coast.

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Coffee break—five minutes every day at 10 a.m.—is required under a new contract negotiated by AFL's Brotherhood of Carpenters and Weirton, W. Va., building contractors.

•

A court test of an apparent conflict be-



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tween state "freedom to work" laws and the Railway Labor Act is in the making. Employee groups on three railroads have sued for injunctions against union-shop contracts negotiated by 15 nonoperating railroad brotherhoods. The groups contend that although the federal act permits the union shop (BW–Oct.11'52,p175), laws of their states, Virginia and North Carolina (and of at least 10 other states), bar it.

•

Job-bias bar sought by Sen. Irving Ives as an amendment to the Taft-Hartley act (BW–May9'53,p177) is strongly opposed by Sen. Robert A. Taft–who protests that attaching the antidiscrimination proposal to a "package" revision bill "might obstruct matters" and possibly block T-H changes this year.

Election Results . . .

. . . at Ford Local 600 undermine Reuther's influence over 51,000 United Auto Workers.

The largest thorn in Walter Reuther's side–Ford Local 600 of the United Auto Workers (CIO)–was pricking him worse than ever this week. Reuther's principal adversary within UAW, Carl Stellato, was back in for another term as president of the 51,000-man local–having won by nearly a 2-to-1 margin over two opponents, one backed by all the power and influence the international could throw into the fight.

• **Down the Line**–The Stellato slate triumphed generally from major offices down to building units. Stellato, with popular support from the rank and file, from the left wing, and, apparently, from at least a few anti-Reuther factionalists, will call the tune from here on in Ford local politics.

The victory does more than that for him, too. At the time of UAW's convention in Atlantic City two months ago, Stellato cast himself as the center of what opposition exists inside of the union to Reuther, no matter what its ideology or roots. His strong victory for reelection as president at Local 600 cements his place as the hope–however forlorn it may be in UAW affairs–of those who would unseat Reuther.

• **Lost Hope**–The one-sidedness of the victory surprised everyone. Reutherites expected that Stellato would lead in this vote but pinned their plans to a belief that he might not obtain a majority, and that the run-off would give them time to overtake their opposition.

The result will probably result in the Reuther forces abandoning the battlefield in Local 600 for a time at least.



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PERSONAL BUSINESS

BUSINESS WEEK
MAY 16, 1953



Note these basic trends if you're planning to enter your youngster in college this fall:

• **Enrollment will be pushing up again.** That means it will be a mite tougher to get your boy or girl into certain schools.

• **Tuition costs, in general, will run above what they were last year.**

• **Most scholarship money has already been earmarked.** But some is still available—if you move fast.

•

The outlook now is that enrollment will run about 5% over last year—at around 2.3-million students. That's based on the belief that the student-deferment program will continue along at its present level.

The increase is mainly in women. So it is doubly important for you to start acting now if you want to enter a daughter. But remember that—even in the best circumstances—**it's always harder for anybody to get into the name schools.** It will be tougher this year than last.

•

Average tuition in the East will run at roughly $800 per year for men, somewhat higher for women. (In other areas, tuition is anywhere from $100 to $200 lower in private institutions.) Plan on spending an amount equal to tuition for room and board.

You'll find that in some colleges these fees will be about the same as last year's; in others, they will be higher. The reason: Some boosted tuition last year, won't add another rise now. Others have gone for two or three years without an increase, will thus mark up the price tag.

For example: Harvard University up to now has charged a $600 undergraduate fee—close to last year's general eastern average. **This year it will go to $800.** That puts its cost on a level with Princeton, Yale, and Columbia, which had made the boost previously.

•

Don't overlook the state colleges and universities; many have excellent scholastic standards. And their fees run lowest of all—generally, tuition is almost nominal for in-state students, higher for those from other states.

•

As they boost tuition, schools tend to give a little more in scholarships. Some cover full tuition plus part of living expenses—but that's pretty rare. More likely, you'll find scholarships covering half or less the tuition cost.

Most scholarship applications were in by Mar. 1. But if your boy or girl is an outstanding student, **he may still be able to get one.** The procedure: Consult the high-school principal for a list of available scholarships. Get him to evaluate the student's scholastic ability, make paper recommendations detailing his strongest tendencies.

"Athletic" scholarships are an entirely different breed. They are usually set up by alumni groups, or others interested in keeping a college in the winning column in sports. A good football player can usually get one of these with little trouble. But note this: He must, in most cases nowadays, meet the college's regular—and often strict—scholastic standards.

•

Educators say that if your boy has a bent for mathematics—plus a good grounding in physics and chemistry—he should seriously consider an engineering school. If he can make the grade, he has a good future. Industry's greatest need now is for engineers. Signs are that it will become even greater as new areas of technology open up.

There are some other pretty secure areas of specialization, the educators will tell you—**medicine, theology, and teaching, for example.** But don't ignore the old-fashioned general, or liberal, education. Most modern educators believe strongly that, as preparation for general business life, it will help more than any specialty.

•

If your son takes a part-time job at college, watch his earnings. When they go to $600, and he is still a minor, you lose him as a dependent for tax purposes. You may save money by having him quit his job, even though it means adding to his weekly check.

•

You can keep cool and still be fashionable if you attend or take part in a summer wedding. Fashion experts give this as the correct dress:

• **Summer evening wedding** (after 6 p.m.): single or double-breasted white dinner jacket, black dress trousers, black silk cummerbund; a linen or broadcloth shirt with either a pique or a pleated bosom (collar attached), black silk bow tie. Shoes should be pumps or black patent-leather oxfords. Preferred hat is cocoanut, but stiff straw or panama is acceptable.

•

• **Informal summer wedding:** (1) single-breasted white jacket of any lightweight material, oxford grey trousers; (2) white suit; or (3) single-breasted dark blue jacket with white flannel trousers. (The last is likely to be hottest.)

In all three cases white shoes, white shirt (collar attached), a neat patterned foulard tie or red stripe, with navy blue background are prescribed. Hat choice is the same as for evening weddings.

You can, of course, vary these combinations somewhat and still be in good taste. Rules of dress for men are far more lenient nowadays.

•

If you have a child between the ages of 14 and 18, there are guided tours for him around the continent this summer. Trips take about 42 days, use only Pullmans and first-class hotel accommodations, have professional travel people in charge at all times.

Tours include not only sightseeing, but activities such as swimming, riding, dancing, attendance at operettas, assembly plants, etc. One such trip covers the U.S., Canada, Alaska, and Mexico. Costs run from around $450 to $1,500.

•

Note for your calendar: **If the number of your tax exemptions has changed (you have a new baby for example), file a new withholding certificate by June 1** reducing the amount of your withholding.

•

If your income last year was less than $30,000, chances are probably more than 20 to 1 against your income-tax return being audited. Cuts in appropriations are the reason.

•

For your first-aid kit there's a relatively new pain-killing burn treatment called Americaine. It now comes in an Aerosol automatic spray dispenser as well as in the form of a greaseless, water-soluble ointment. Americaine is antiseptic, excludes air, and kills the pain of burns almost instantly. The pain-killer is 20% dissolved Benzocaine, widely used as a fast local anesthetic.

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½ the weight of aluminum ones, these wheels are quickly and easily injection molded, halves riveted together for sturdy, economical assembly. And color is *built in!*

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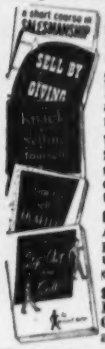
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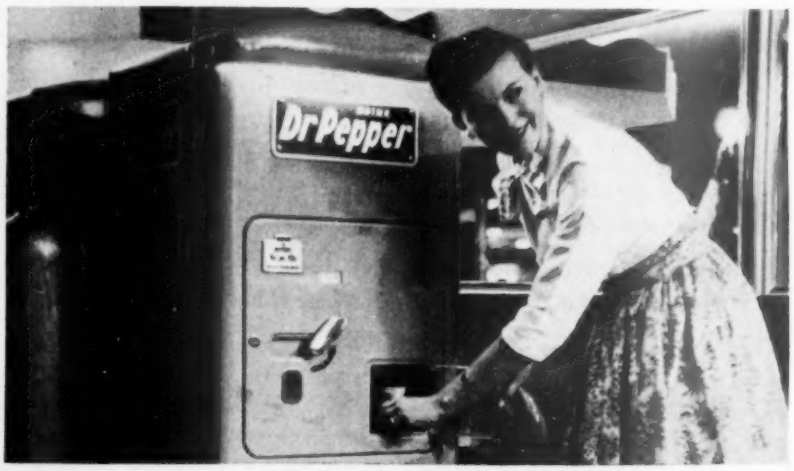
COMPANIES



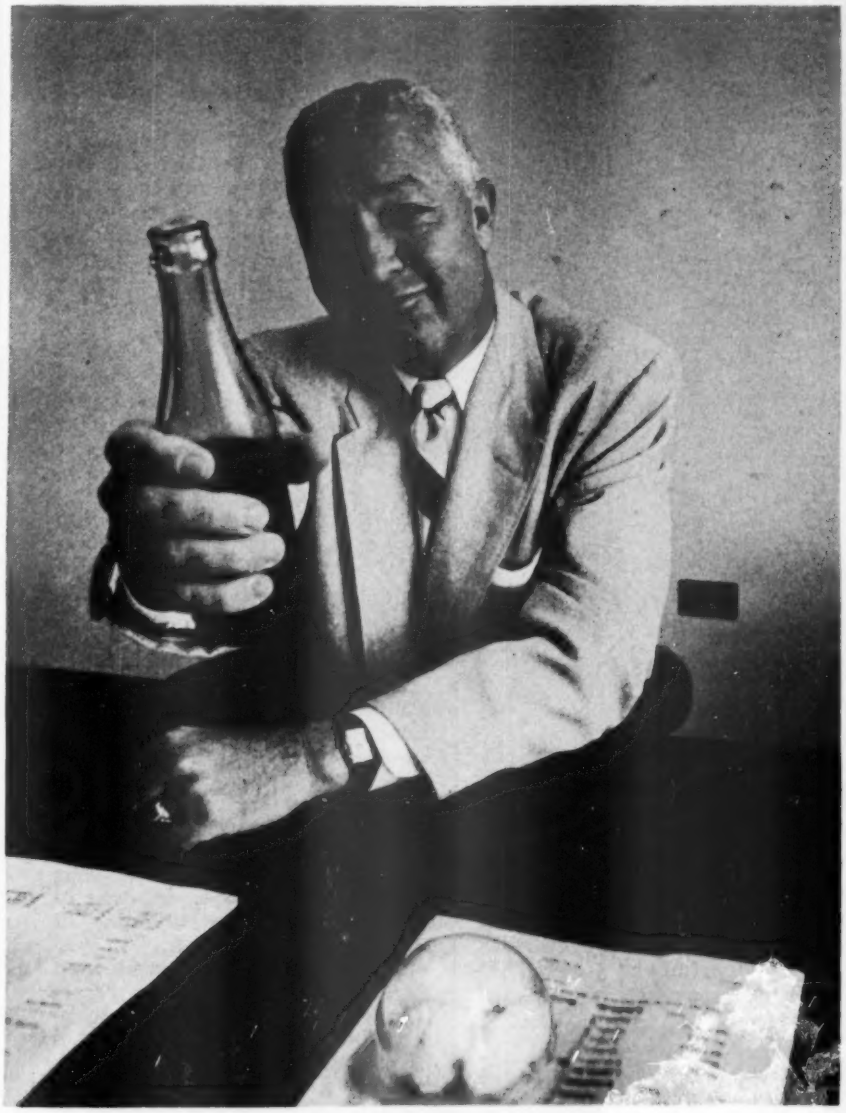
VISITORS to Dr. Pepper headquarters in Dallas are invariably handed an ice-cold drink by receptionist, as a sort of opening salute.



EMPLOYEES get three formal breaks during the day to drink Dr. Pepper. They can also slurp the beverage whenever the spirit moves them.



PUBLIC, too, is encouraged to drink the stuff, for a fee. The company hopes to boost sales by this simplified and less costly vending machine.



LEONARD M. GREEN, the company's president, lends a hand in the most recent drive to keep . . .

Dr. Pepper Going Places

The forces of the Southern States, suh, are invading the North again.

This time, though, the shooting will be mild; the only dead soldiers will be empty bottles. For the invading force is Dr. Pepper, an oddly named soft drink whose long-time massive sales in the South have yet to be duplicated in the rest of the country.

Dr. Pepper has picked St. Louis for its first beachhead. It's a big enough city for experimental purposes and yet is not too far away from the Maryland to New Mexico strip that the company calls its heartland in beverage geopolitics.

• **New Plant**—Last month Dr. Pepper sired week-long celebrations, well spiked with promotion. Key event was the official opening of a new $300,000 bottling plant, the first company-owned bottlery to be built outside Dr. Pepper's home state of Texas. All told, the beverage is bottled in 35 states and Mexico, by nearly 400 plants. But only five of these belong to Dr. Pepper; the rest operate on franchise, and seven-eighths of them do not handle Dr. Pepper exclusively, to the considerable annoyance of the company.

The St. Louis landing is aimed squarely at the nonexclusive bottlers,

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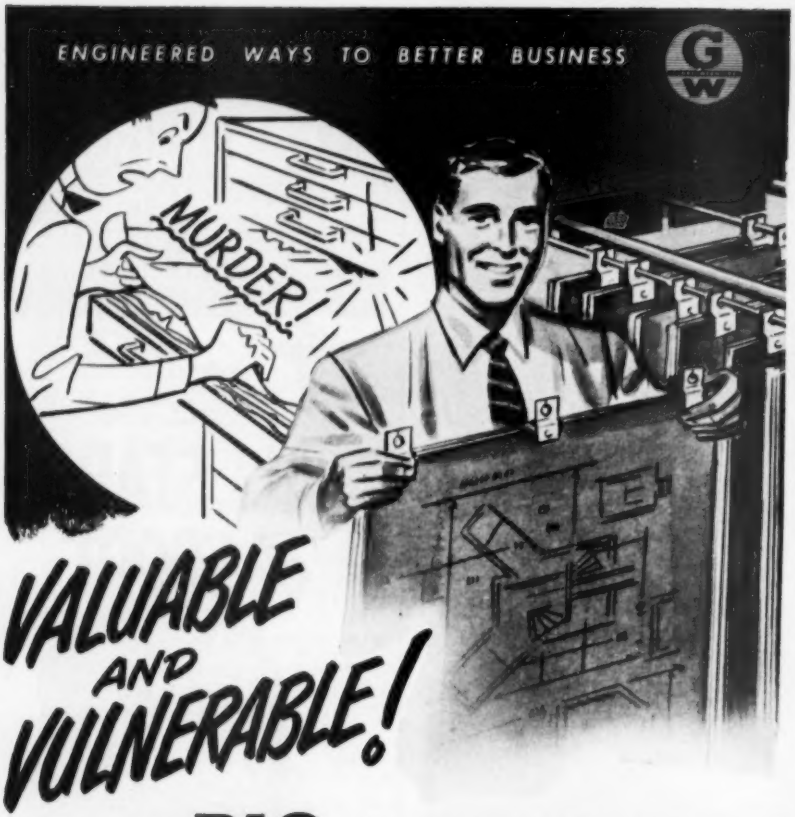


TED
WILLIAMS
His top Fishing Thrill

In addition to a great baseball career (a .347 lifetime batting average and 324 home runs in 11 years) Williams is one of America's top fishing enthusiasts. Ted says his greatest thrill was in the Florida Keys in 1950 when he hooked into a bonefish — one of the fightingest fish, pound for pound, in the water. After a 20 minute battle the fish was landed and weighed over 11 pounds — one of the biggest caught up to that time. "Man", says Williams, "*that* was a day!"

And here's another unusual record **— 11 of America's 15 largest paint manufacturers, 12 of the Nation's 15 largest railroads use Atlantic Bond. They get better-looking letterheads and office forms with America's top paper — so can you. Next time — ask your printer to use Atlantic Bond.**

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". . . the company denies that it is prune juice and carbonated water . . ."

DR. PEPPER starts on p. 174

and their pushing of Dr. Pepper, which the company says is languid if not downright nonexistent in many cases. W. W. Clements, general sales manager, cites Chicago as a horrible example. There's a nonexclusive bottler there, but Clements says, "You'd have to use a search warrant to find a Dr. Pepper in the city."

• **Demonstration**—The cure, according to president Leonard M. Green of the Dr. Pepper Co., is to convince good bottlers that they can prosper via the exclusive–and aggressive–handling of Dr. Pepper. The St. Louis program is designed to demonstrate the point.

Until a year ago, Dr. Pepper had been selling meagerly for 20 years in St. Louis through the ministrations of a nonexclusive bottler. Then Dr. Pepper got fed up and bought the plant. Sales have since jumped 300%. Now, with the newly built plant, the company expects to make things hum.

When desirable bottlers around the country have learned the St. Louis lesson–Green refuses to say "if"–Dr. Pepper expects to move in on New England, Michigan, and the Pacific Northwest, where there is virtually no distribution now. Green won't go into detail, but he hints that five years would be a nice–if indefinite–time to infiltrate all 48 states with bottlers, all busily pushing Dr. Pepper.

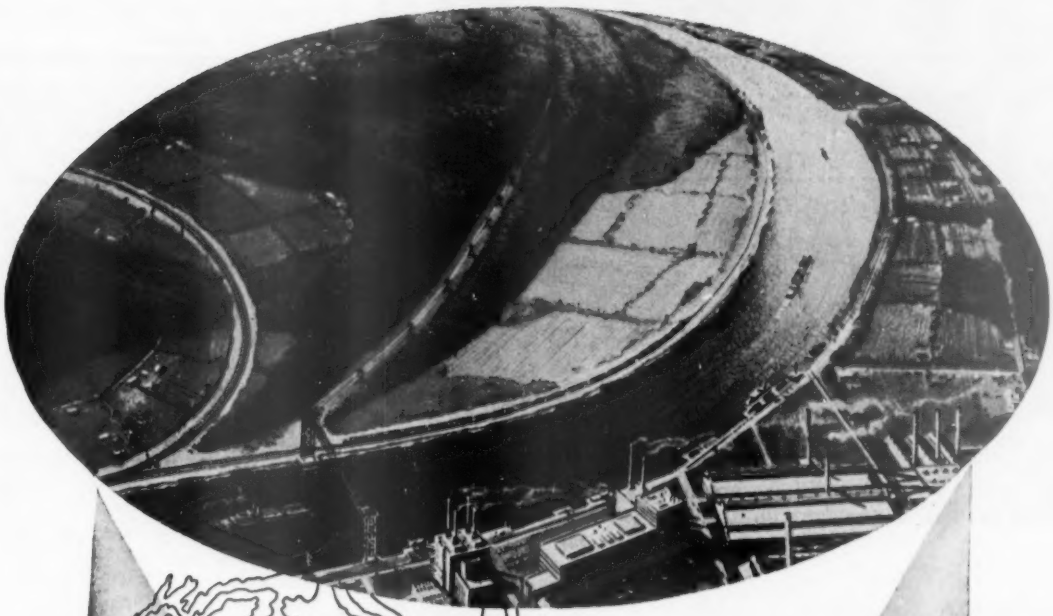
• **Selling Sirup**—Apart from its own limited bottling operations, Dr. Pepper is essentially a purveyor of sirup to independent bottlers. The sirup is manufactured in plants at Dallas, Birmingham, and Baltimore. Eventually, three or four more plants may be added to supply the hoped-for crop of new bottlers. Incidentally, the nature of the sirup is a jealously guarded secret, though the company denies that it is prune juice and carbonated water–a canard that has been widely circulated.

As its drive north gains momentum, Dr. Pepper is prepared to license bottlers for free, in cities where no prior franchise exists. The bottler must demonstrate he has adequate capital and technical ability. Then Dr. Pepper will do a market research job, showing the applicant what sales at what price he will need to make money, and what chance he has of making the sales. Apart from the St. Louis demonstration, the company wants to stick to its policy of not doing the bottling itself except in major cities where no suitable applicant turns up.

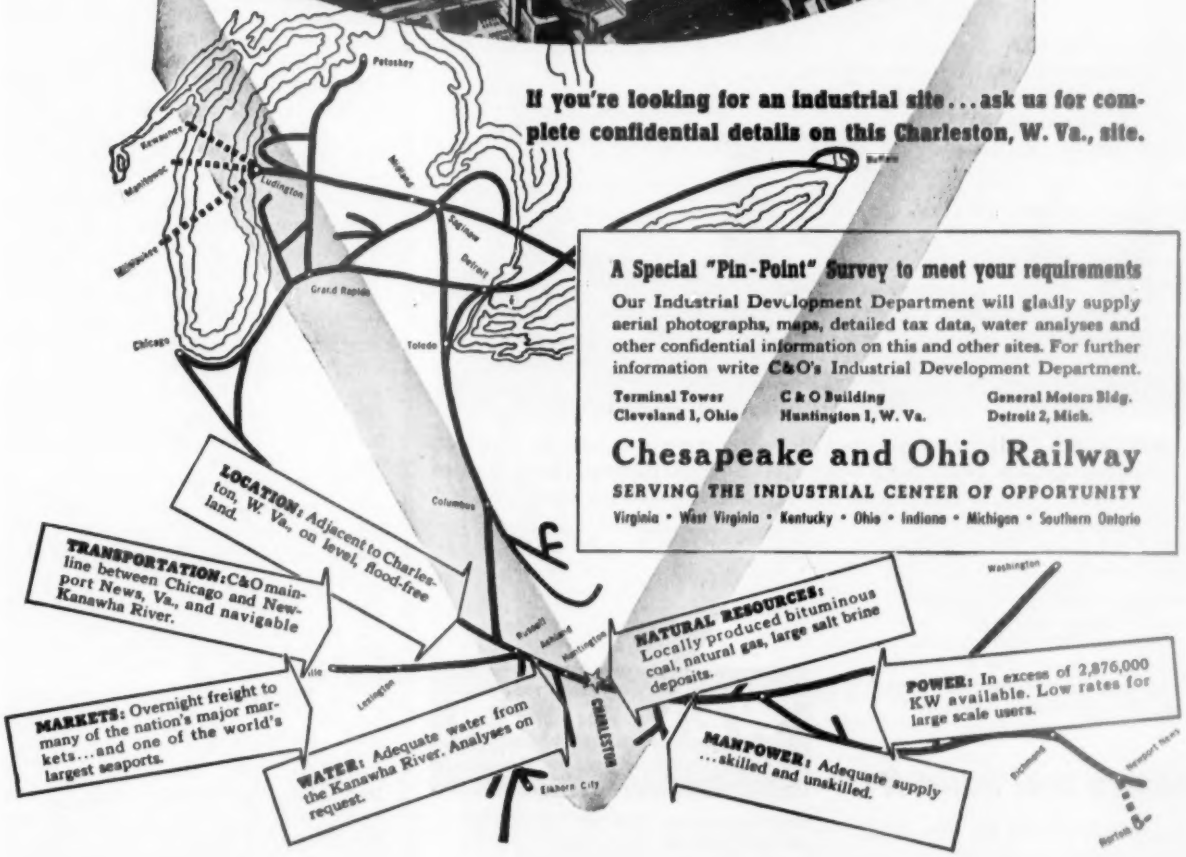
• **Price Variants**—The question of price

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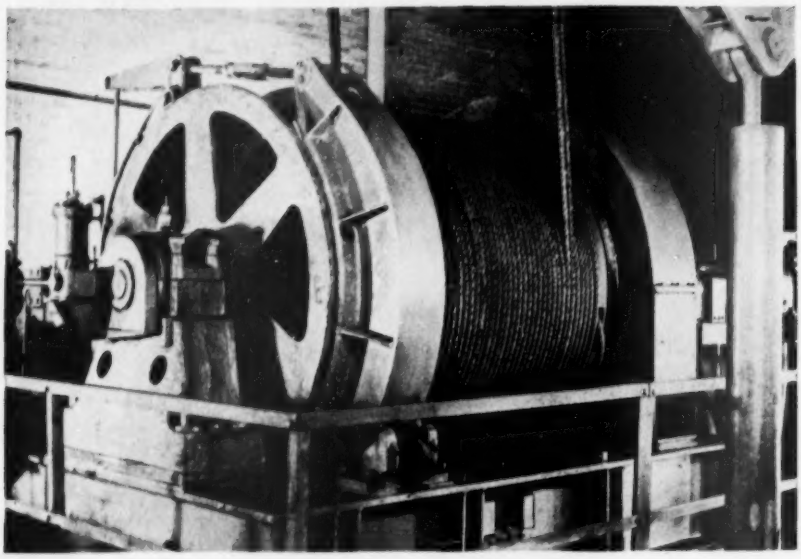
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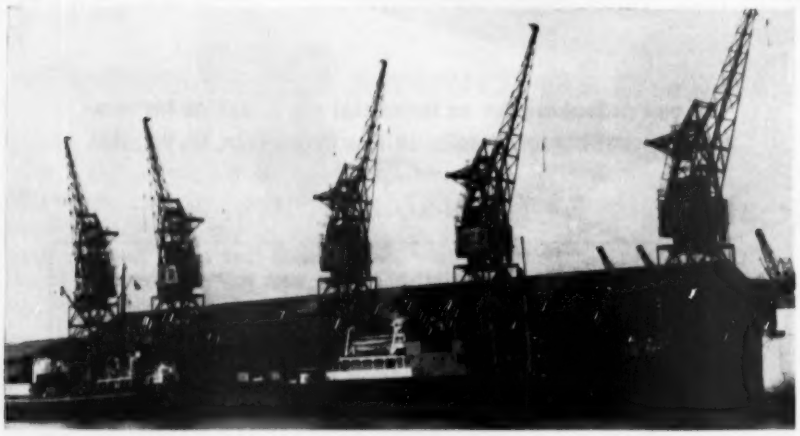
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is tricky. Dr. Pepper supplies sirup for bottling throughout the country at a uniform price of $1.40 per gal. Fountain sirup comes a little higher. The local bottler supplies his own carbonated water, though its quality is checked strictly by Dr. Pepper to insure uniformity of product. Bottling costs vary considerably from region to region. Both labor costs and volume of sales enter this picture.

In the South—where heat and a leisurely way of life lead to heavy consumption of soft drinks—costs are low. The result is a wholesale price of 80¢ for a case of 24 bottles; the retail price is 5¢ a bottle. At the other end of the scale is California, where high costs and modest consumption bring an average wholesale price of $1.35, with single bottles retailing for a dime.

One reason for picking St. Louis as the demonstration city was its favorable spot in the cost spectrum. Even with relatively low consumption, costs have been low enough to permit a price of 96¢ a case wholesale and 6¢ a single bottle.

Dr. Pepper not only has kept the price of sirup uniform around the country, it has also held it at a constant level over the years despite the steady rise in the price of sugar. Green says that increased efficiency and expanded sales have made this possible.

• **Ranking**—It's an open question where Dr. Pepper will rank in the soft drink industry if its push north succeeds. The industry is chary of giving out figures. On a guesswork basis, Dr. Pepper figures that right now it is somewhere between third and fifth nationally, and second only to Coca Cola in the South. The company says net sales were up 23% in 1952, while "gross profit on sales" climbed steadily from about $3-million in 1949 to $5.2-million last year. The tax load helped knock net earnings down to $574,168 last year, but even that amounted to 82¢ a share, for stock now selling on the Big Board around $12. The dividend rate, long maintained, is 60¢.

Dr. Pepper figures its sales break down roughly to a quarter through vending machines, a scant quarter via home consumption, and a fat half consumed on the spot in stores and similar places. The company is plugging hard to increase the home consumption share, but vending machines are the real promotion baby.

• **Ex Machina**—A simplified vending machine has been developed that costs only $538, less than half the conventional types. Dr. Pepper says it needs less maintenance, takes up less space, and can subsist on a smaller potential market than its rivals. Also, it sells only Dr. Pepper, while other vending machines usually offer a variety of brands.

Auction Action

Parke-Bernet, a leading auctioneer of rare books and art objects, goes into industrial goods and real estate.

From auctioning rare books and old masters to auctioning industrial machinery and government surplus goods isn't so big a jump as you might think. At any rate, that's what Parke-Bernet Galleries, Inc., of New York decided when it announced a subsidiary company for industrial and real estate auctions (BW—May2'53,p34).

"We expanded the scope of the company because we felt it was good business to do so," says Miss Mary Vandegrift, secretary of the new division. The name of the new unit is Parke-Bernet, Inc.

• **Reputation**—Parke-Bernet Galleries (the "Bernet" is pronounced Burr-net, not the French way, incidentally) and its predecessor firms have sold more than $170-million of art properties and rare books during the past 50 years. It has liquidated the fine arts assets of most of the big estates that have come on the market in that time.

The headquarters of Parke-Bernet, and those of the new subsidiary, are in a new building on Madison Avenue in the upper 70s.

• **Staff**—Miss Vandegrift said the galleries recognize a difference in technique between selling art objects and selling industrial goods, machinery, and real estate. Direction of the new division has been assigned to a couple of specialists:

• Harry E. Loree, well known as an auctioneer and appraiser of machinery, plants, and surplus goods in the past 30 years. In 1947-48, he ran auctions for the War Assets Administration. Loree is executive vice-president of Parke-Bernet, Inc.

• Peter Grimm, chairman of the board of William A. White & Sons, New York real estate firm. Grimm will serve as real estate consultant. He's a former president of the Real Estate Board of New York and of the state chamber of commerce.

The new division is linked with the parent company by appointment of Leslie A. Hyam and Louis J. Marion, vice-presidents and directors of the galleries, respectively as board chairman and president of the new industrial division.

The announced coverage of the added division is broad: public auctions, liquidations and appraisals of industrial plants, machinery and equipment, government surplus, general merchandise, and real estate.



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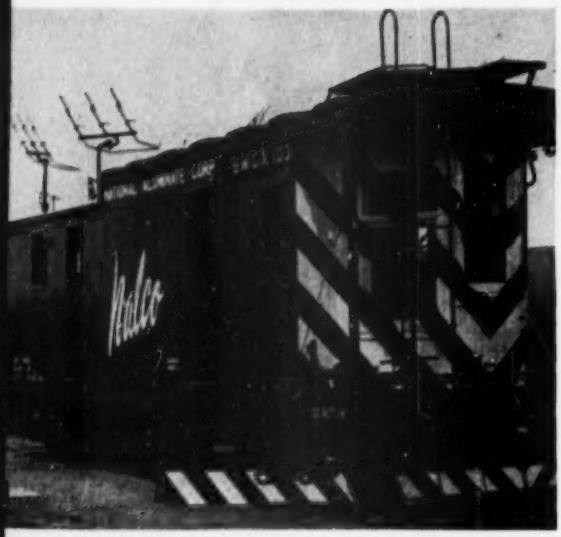
Wheeling

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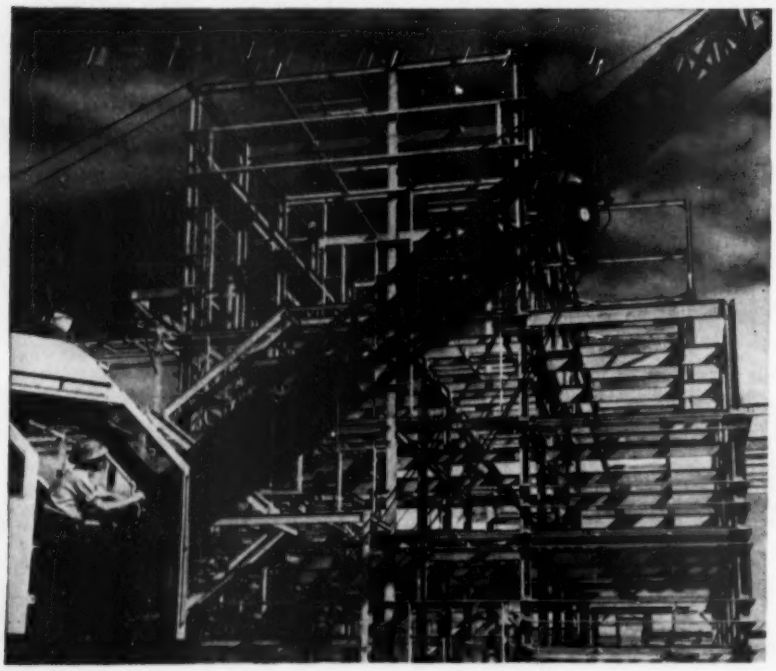
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SOAP OPERA—and here's little Suzy singing in her sudsy tub, as old-time ingredient, tallow, makes a comeback. Market for detergents and other uses could absorb at least 200 million pounds. With developments like this cropping up all over, is it any wonder the CPI's annual product value is well up over the 50 billion dollar mark?



ALERT MANAGEMENT is ably represented here by Dr. John A. Patterson, Manager of the Rust Process Design Company. His baby is zirconium, the rare metal that has intrigued so many technical men with its resistance to most acids and alkalies, its high melting point and other virtues. Dr. Patterson says, "When you're as close to the chemical process field as I am, CHEMICAL WEEK is a must."

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Westinghouse Air Brake Reaches Out

Purchase of the LeTourneau earth-moving business is a step in long-range diversification.

Westinghouse Air Brake Co. last week completed the third step in its diversification program. It bought the earth-moving equipment business of R. G. LeTourneau, Inc., for $19½-million. In addition it paid $6-million to $8-million for inventory.

The purchase includes LeTourneau plants at Peoria, Ill., and Toccoa, Ga., and control of an Australian subsidiary. It does not include plants at Vicksburg, Miss., and Longview, Tex., where R. G. LeTourneau, Inc., will go on making special machinery not related to earth-moving.

Westinghouse will continue the earth-moving business under the name of LeTourneau-Westinghouse Co., a subsidiary. No changes in personnel are planned; R. G. LeTourneau will serve as a development consultant.

• **Three Steps**—When Edward O. Boshell took over as president of Westinghouse Air Brake on Jan. 15, 1951, the company was preoccupied with railway equipment: air brakes, signal systems, and safety devices. It also had a lot of money salted away in municipal bonds.

Boshell put two ideas together. First, he decided that the future of the company shouldn't hang solely on the railroad business; second, he decided to put the capital invested in bonds to work in expanding the company.

For a year or so, he was too busy to do much about these decisions. As board chairman and president of Standard Gas & Electric Co., he was liquidating that big holding company (BW—Nov.15'52,p133). But last August he closed his first purchase: Le Roi Co. of Milwaukee, maker of industrial engines and compressors. And last month he bought the George E. Failing Co. of Enid, Okla., maker of portable drilling rigs for oil, water, minerals.

• **Related**—Diversification of Westinghouse thus far has been financed almost entirely out of funds formerly invested in municipal securities, it is said. Furthermore, the acquisitions have a close relationship with each other.

Purchase of Le Roi gave Westinghouse an industrial line of compressors that complemented its own products. Reports in Pittsburgh suggest that Le Roi engines may also find use on Failing drill rigs and LeTourneau tractors and bulldozers.

• **Sales**—LeTourneau reported sales of $55.5-million for 1952—down about $345,000 from the previous year. A "substantial" part of these sales came in the earth-moving business.

Westinghouse sales also declined about $300,000 from 1951 to 1952. Last year they ran at $93.6-million. But sales in the first quarter of 1953 came close to $28-million.



Twenty Below Zero in New Ice Cream Plant

This hardening room holds 150,000 gal. of packaged ice cream at 20 below zero. It's the largest unit of the new Reick Ice Cream Co. plant in Pittsburgh. With capacity of 4-million gal. a year, the plant is the largest producer between the Delaware Valley and the West Coast. Reick sells in Pennsylvania and Maryland.

COMPANY BRIEFS

Further expansion by construction and by merger is in the cards for National Gypsum Co. (BW–Nov.8'52,p192), president Melvin H. Baker told stockholders at a meeting in Buffalo. The company has set aside $18-million for expansion in the next two years.

•

Chemical mergers: Stockholders approved the merger of Merck & Co., Inc., and Sharp & Dohme, Inc. (BW–Mar.7'53,p36). Sharp & Dohme, pharmaceutical company, will be an operating division of Merck. . . . Mathieson Chemical Corp., which acquired E. R. Squibb & Sons last year, has bought John Powell & Co., a 30-year-old insecticide company.

•

Helicopter mail and parcel post service will start this summer for New York and suburban New Jersey and Long Island areas, New York Airways, Inc., announced. Service from Newark Airport to Trenton and intermediate points starts June 8. The company hopes to launch passenger service among New York City airports in the fall.

•

Offices of Georgia-Pacific Plywood Co. will move next month from Augusta, Ga., to Olympia, Wash.

•

Opposition to management of Webster-Chicago Corp. continued as Martin C. Remer, Chicago investment man, got himself and another candidate elected to the board of directors. Five of management's slate were also elected. Remer led the movement to block Webster-Chicago merger with Emerson Radio & Phonograph Corp. (BW–Feb.14'53,p148).

•

A big iron producer for the Confederacy has changed hands, not for its mineral properties but for its timber. Shelby Iron Co., founded in 1841, hasn't been mining for 20 years, but it owns 35,000 acres of timber in three counties of Alabama. Gulf States Paper Corp. of Tuscaloosa, Ala., has bought controlling interest.

•

Crown Zellerbach Corp., San Francisco papermaker, is dickering to buy Canadian Western Lumber Co., Ltd., of Vancouver, B. C., one of Canada's largest producers of lumber and plywood. Meanwhile, Crown Zellerbach's effort to acquire the St. Helens Pulp & Paper Co. of St. Helens, Ore., ran into opposition from the latter's stockholders. An Oregon court overruled the protest, but said that FTC might raise an antitrust question.



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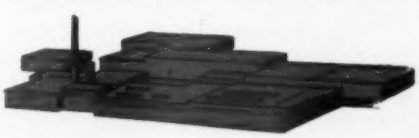


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WHAT IT'S ABOUT



What Do Extras Do to Steel Prices?

For several weeks now, the newspapers have been peppered with headlines like the ones above. What they're referring to are the extra charges for carbon steel that have recently been revised by the steel industry (BW—May 9'53,p28). For many customers these changes in the extras are more important than a change in the basic price of steel.

What are these extras that can have such a marked effect on steel prices? One substantial Pittsburgh steel buyer observed resignedly last week: "Extras are a lot like taxes—they're inevitable and they can make life pretty complicated."

• **In Two Parts**—Steel pricing is a lot like steel-making. Each is divided into two basically different parts. In steelmaking you have a broad group of operations that create the metal and give it some basic shapes. Then come numerous further operations that finish it.

Cost components of these functions vary widely enough to call for a dual price system—a base price plus more or less optional extra charges. With one important exception relating to chemical analysis, you pay a base price to get your steel created and shaped at all. Then you pay extras to get it into the precise condition in which you need it. You pay for what you get; if you don't need extra work, which rarely happens, you don't pay for it.

• **Creating**—The best way to understand the basis for this pricing system is to visualize how steel is made. It requires first the assembly of huge stocks of several raw materials—coal, iron, limestone, and hot air. Just assembling them costs a lot of money.

These are then smelted in an expensive chemical retort known as a blast furnace, to yield iron, slag, and a usable low-grade gas. The iron is then refined, with approximately its own volume of scrap steel, in a different chemical vessel known as an open-hearth furnace. (A small percentage of steel is made in Bessemer converters or electric furnaces.)

• **Semifinished**—What comes out of the open-hearth is steel and slag. The steel is teemed, or poured, into ingots. A base price is set on this product, for an ingot is the first stage at which steel is solid and salable.

The ingots, in normal practice, are stripped of their molds, then reheated and rolled into any of several semifinished forms. They may become slabs or blooms or, with one more rolling operation, billets, skelp, or rounds. These semifinished products are tagged with base prices. Some steel mill customers have sufficient equipment—forge shops, rolling mills, tube mills, industrial and heat-treating furnaces, mainly—to buy semifinished steel and process it themselves. But most customers rely on the steel producer to process their steel further—into bars, sheets, strip, plate, pipes, tubes, structural shapes, rails, tin plate, and so on. Consequently, for these finished products, also there are base prices.

• **Volume Counts**—Up to this point, in the base prices a customer has been paying relatively less for labor than for other things. He's been paying for raw materials and fixed and operating charges on the transportation network to assemble them. He's been paying for blast furnaces and open hearths, for fuel and for expensive cranes, ladles, charging machines, soaking pits, and breakdown mills, and for an over-all metal loss that may run as high as 30%.

It takes a lot of labor to extract all these materials and to man all this equipment. But when the equipment produces at all, it turns out a tremendous volume so that, on a units-per-man-hour basis, labor is a less consequential cost in relation to the other costs involved.

• **Labor Takes Over**—Beyond this point, however, that aspect of steel pricing is reversed: Labor plays a much bigger role than before, depending on how particular a customer is. If every customer would settle for identical sheets, tubes, bars, structural shapes, and plates, things would be simple. But customers won't. While some will settle for, say, a standard-size round carbon bar about 2 in.,

others want them very small, or very big. Furthermore, steel is not a shelf item; nobody melts a pound of it unless it's ordered, whether by a warehouse or a steel user.

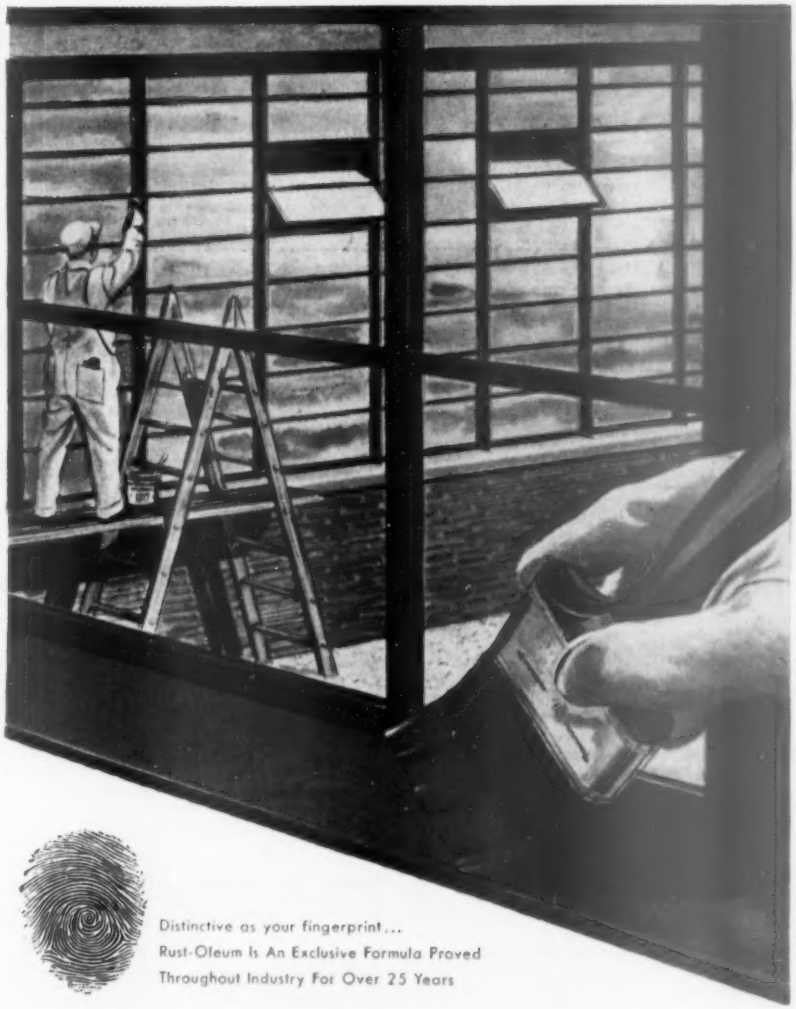
• **All the Difference**—The same situation exists in all finished products. Some sheet buyers demand a very tight tolerance, say, while others can settle for tolerances that are much easier to meet. Some want very precise lengths; others can use lengths that fall within, say, a 3-ft. range. Some want one ton; others 20 tons or more. Some require a finish utterly free of imperfections; others are quite content with a run-of-the-mill surface. Some customers want the steel packed and marked very elaborately for shipping; others can handle it however the producer can get it into the railroad car.

Obviously, then, the more particular a customer is about what happens to his steel after it becomes a sheet, bar, or plate, the more labor it will take to meet his demands. If he wants a bar of steel absolutely free of seams, the bloom and billet from which that bar is rolled will have to be chipped, or ground, or scarfed. Otherwise, any surface imperfections could be rolled into the bar. A customer could abide such imperfections if he wanted the bar to tie a bulky article into place during shipment. But if he wants it for an automobile axle, for example, he can't stand even a tiny, hairline crack.

• **Customer Pays**—Another important extra-pricing factor is a matter of investment. Some sheet users need nothing better than first-rate, hot-rolled sheets. But to get proper workability and finish, other customers—some auto makers, for instance—also want cold-rolled sheets. To satisfy his customer, the steel producer may invest millions of dollars in a cold-reduction mill and related equipment. The motorist pays for it, in the last analysis, but he gets a better-looking, longer-lasting car for his money.

In this finishing process, then, the steel customer is paying relatively more for labor than he specifically demands—whether it's the extra crew to operate a cold mill or the extra mill-office clerks who must schedule small, detailed orders with widely varying requirements.

He'll be paying the extra costs, largely labor, of achieving a very close tolerance, a very fine finish, a very exact length, of wrapping and boxing a shipment, oiling sheets, pickling, annealing, heat treating, or normalizing. The list of extras for some products seems endless. U. S. Steel, for instance, lists 20



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different items for which it imposes extra charges on steel plates.

• **Exception**—There's one basic exception to this general outline of which costs are covered by base prices and which costs by extras. It arises from the chemistry of steel-making.

There are numerous more or less standard, very precise specifications for different steel compositions. The ones most widely used are those that are issued by the American Iron & Steel Institute.

A customer pays extras for various of these specifications, even though meeting them is part of the basic steel-making process. For instance, it takes a lot more furnace hours, metallurgical control, fuel, and work to make a heat of high-grade engineering steel than to make a heat of, say, re-rolling quality carbon steel. The customer pays the difference.

• **A Long Way**—Steel-makers could set a different base price for each specification. They don't because it would make their price lists hopelessly complicated. It's easier, and it makes for a more precise cost-price relationship, to charge for these things as extras.

As it is, the extra cards in general are considerably more complicated today than they were 25 years ago. The technology of steel-making has come a long way—and the technology of metalworking perhaps even further—since the steel business started using extras years ago. Since both affect finishing costs widely, the extra list has grown with the technology.

• **Widening**—Before World War II, the extra cards of most producers were practically identical. Since then, the impact of a 13-year seller's market and the distortions worked by broad changes in product-mix have caused various producers to adjust their extra charges to fit their own peculiar cost structures.

If steel were to operate for several years consecutively at, say, 80% of capacity, these variations in extra charges would undoubtedly narrow.

• **Traded Off**—There's a tradition, regarded skeptically by some informed sources, that during the years that steel did operate consistently at levels well below capacity, the extra charges were traded off readily by salesmen who had stiff price competition to meet, or who wanted an order badly enough to hedge on price.

"It used to be," said one Pittsburgh steel man last week, "that you quoted a delivered price. If it wasn't good enough and you really wanted the business, the price was cut. Different mills had different cost structures and different internal accounting systems. It would be hard to be sure the cuts came from the extras. There are too many people and too many functions involved to generalize."

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A Long Look at Tariffs

Spokesmen for the Eisenhower Administration, including Secretary of State Dulles and Secretary of the Treasury Humphrey, have refused to take sides in the foreign trade battle between free traders and protectionists. Instead, they have asked Congress to renew, without changes, the Reciprocal Trade Agreements Act for one year, so that a bipartisan commission can formulate a new, integrated trade policy.

Standing pat on tariff legislation would rule out any large-scale concessions to our allies, who are seeking to earn more dollars. It would also preclude any new tariffs or other restrictions to trade, such as those proposed in the Simpson bill that is now before Congress. Thus, the Administration's stand seems a compromise, but in view of the President's own conviction that increased trade is essential to the free world, this moratorium will buy the time necessary for rethinking the problem.

Even our allies are beginning to recognize that the problem is much bigger than just the tariff question. Low tariffs can increase trade, but it is a delusion to believe that this is the cure-all for Europe's difficulties. Reciprocal agreements have reduced tariffs over 60%, yet in 1952 the dollar deficit of our allies still amounted to $4.5-billion. The fact is that an upsurge in imports has been more closely connected with a rise in incomes here than with any decrease in tariff rates.

What a drop in business can do to trade was shown in the 1938 recession. Production dropped 4%, but our imports fell off 36%. In 1949, when there was only a small dip in business activity, our imports were reduced almost 10%. So the slightest downturn here has a vastly magnified effect abroad.

This is why our allies are more concerned over the possibility of tariff hikes than they are about tariff concessions. If Congress should strengthen our tariff wall and our economy should slump, it would mean a handicap that foreign exporters could not easily overcome.

Moreover, there is reciprocity in adding restrictions as well as in reducing them. We learned that in 1951 when Congress passed the "cheese amendment," which cut down on imports of foreign dairy products. The Dutch promptly cut imports of American flour, the French canceled orders for machinery. If Congress should decide to pursue a protectionist course, it would not be long before our allies joined in the act. This would mean a long step backward, not only from increased trade but from the unity on which the free world depends.

Actually, there is one step that Congress could take to encourage free trade without interfering with the work of the new commission. It is to simplify customs procedures, a step long overdue. Our outdated procedures involve exporters in a maze of delaying and wasteful red tape. Indeed, our rules are so confusing that they stop many would-be exporters before they begin.

We have long supported a free-trade policy consistent with the needs of national security. There is certainly room for changes in such measures as the Buy American act, our "peril point" and "escape" clauses. But their very multiplicity is proof that they cannot be reshaped overnight. We believe that the Administration's proposal for a standstill on legislation while a commission reexamines our policies is a wise one. We are confident that its work will result in a program befitting the responsibilities of the world's greatest creditor nation.

Paradise Lost

There was joy throughout the length and breadth of Britain when the recent tax cuts were announced, except in the Scilly Isles (49° 56′ North, 6° 17′ West, or to landlubbers, 30 mi. as the crow flies, off the coast of England; area: 4,000 acres; population: 1,732). In the Scillies gloom took hold because, for the first time in history, the Chancellor of the Exchequer has decreed that its inhabitants, like all the rest of Her Majesty's subjects, must pay income tax.

Ever since income taxes became an inescapable fact of civilized life, the Scillians have been living in a never-never land of representation without taxation. Now the dismal and dismaying miasma of regulations and paper work and computations has set in.

There may be some who believe that this is a sign of progress. We heartily disagree. It was a source of satisfaction to know that there was one Garden of Eden where bureaucracy was not lurking in the grass. We can regret that, instead of closing down this paradise, the British haven't allowed the example to spread.

Sears Versus Art

The south of the border adventures of an American institution have just been reviewed by the National Planning Association (BW—May9'53,p168). The survey is called "The Case Study of Sears, Roebuck de Mexico, S. A."

In five years, Sears of Mexico has grown by leaps and bounds, seven stores, employing 1,900 people, guiding new industries, advertising widely, and generally bringing a spirit of buoyant competition to the Mexican commercial scene.

Only one failure is recorded. American tourists refused to buy Mexican handicrafts at Sears' reasonable prices. They preferred to take their chances at some colorful, dusty shop. There's a lesson here, both in merchandising and showmanship. The recalcitrant tourist may yet become a thesis for a pioneering graduate of the Harvard School of Business. (P.S.: Sears has quit selling Mexican art.)

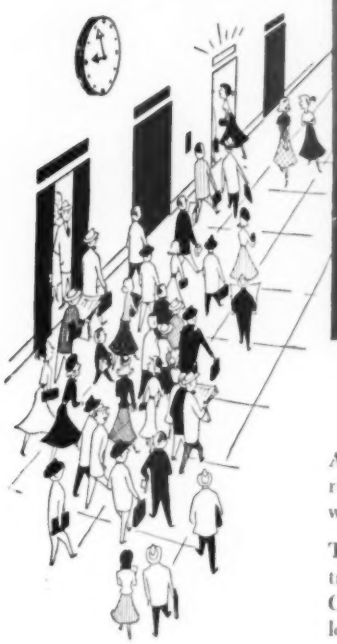
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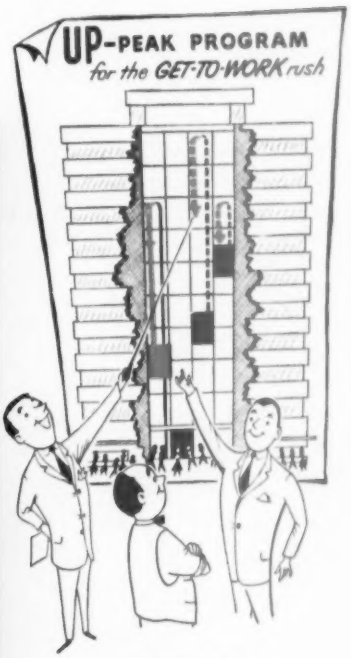
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